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CHAIN STORE AGE
MERCHANDISER
Skin care market comes of age—p.43

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DRUG STORE NEWS

Vol. 4 No. 23/Incorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./November 1, 1982

J & J 'committed' to rebuilding Tylenol

LAS VEGAS—Johnson & Johnson is "totally committed" to restoring Tylenol to a leading position among over-the-counter drug products, according to Wayne Nelson, J&J group chairman.

"It will be the biggest brand rebuilding in the history of American business," Nelson told a press conference during the National Wholesale Druggists' association meeting here.

Nelson said the company would soon disclose plans for new packaging with "multiple barriers" designed to prevent a repetition of the Chicago tragedy in which seven people died after taking Extra Strength Tylenol capsules contaminated with cyanide.

He said that all 31 million bottles recalled by J&J subsidiary McNeil Consumer Products Co. will be destroyed and salesmen will be back on the street taking orders for newly manufactured Tylenol capsules "in three weeks."

Nelson conceded that McNeil faces a few hurdles before consumer confidence is restored. A national survey revealed that 30% of all consumers were unfamiliar with who was to blame in the deaths, Nelson said. In addition, 10% of those interviewed thought that someone at McNeil's manufacturing plants was implicated.

"That means that about 40% of all consumers don't know what happened," Nelson said.

J&J is hoping that consumer ignorance will be dispelled as the company publicizes the contents of a letter sent to the firm by Joseph P. Hile, assistant commissioner of regulatory affairs at the Health and Human Services Administration, which gave McNeil's production facilities a clean bill of health:

"We conclude," Hile wrote, "that the contamination did not occur at either plant. Rather, it was the result of tampering after the company shipped the product to distribution points, and most likely, after they reached the retailers' shelves."

When Nelson was asked if retailers would be reimbursed for handling charges in the Tylenol recall, he replied that such payments "would not be appropriate."

He also stressed that of all the bottles of Extra Strength Tylenol capsules only five were found that contained contaminated capsules and one was not found. He added that the total

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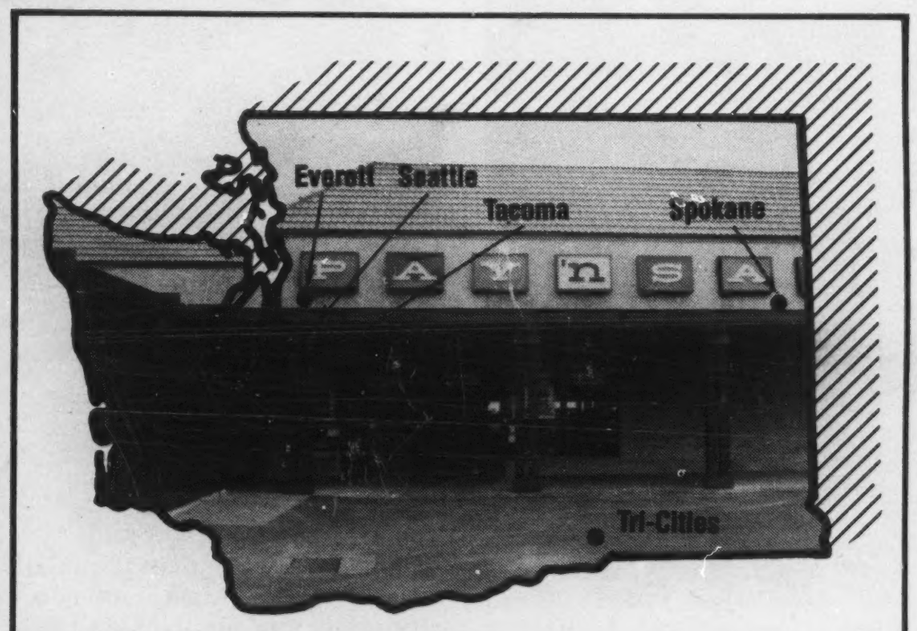


Pay 'n Save's new public education ad campaign will run throughout Washington state and in Coeur d'Alene and Moscow, Idaho. The chain hopes pharmaceutical manufacturers will join the 60 plus participating Pay 'n Save drug stores.

Pay 'n Save starts educational ad drive

NEW YORK—Pay 'n Save is trying to attract pharmaceutical manufacturers into joining a program of direct public service television and print advertising aimed at the chain's patient-customers.

The Pay 'n Save program consists of five television commercials and a print campaign focusing on the positive aspects of medicines and the importance of using them correctly.

"Some people prefer to medicate themselves or do without their prescription medication," said Ralph Heilman, director of professional services at the Seattle-based drug chain.

"We've undertaken this program to educate the public about

Continued on page 60

Eckerd to test home health waters with Florida store

ST. PETERSBURG, Fla.—Eckerd Drug will join the growing list of drug chains that have plunged into the home health care market in hopes of tapping a portion of the estimated $2 billion to $2.5 billion the market generates each year.

The giant Clearwater, Fla.-based chain will open its first freestanding home health care center in a shopping center here in the heart of this Sunbelt retirement community.

The new outlet, approximately 8,000 to 9,000 sq. ft. in size, will be called Eckerd Med-Care. It will sell and rent a full line of products and equipment designed to satisfy the home health care and physical fitness markets, according to a spokesman.

Other chains that are testing the concept of supplying the home health care market or have undertaken a full-scale commitment include Hook, Peoples, Revco, Rite Aid, Begley, Shoppers Drug Mart, Harco, Happy Harry's, Walgreens and White Drug.

The chains that have entered the convalescent aid market see it as a natural extension of their health care provider role. They are also attracted by gross margins that average up to 40% in specialty outlets.

The Eckerd spokesman said the new center will be the first of three that Eckerd plans to open in the next year. The sites for the next two outlets have not yet been chosen, he said.

Among the items that Eckerd Med-Care will supply are wheelchairs, canes, walkers and other ambulatory aids; special beds and bedroom comfort items; incontinence supplies and items to prevent or provide relief for bedsores; bathroom

Continued on page 60

Optimism dominates fall shows

NEW YORK—Take some caution and mix in a liberal dash of optimism, and you have the mood that prevailed at the Affiliated and Associated fall buying shows.

"Vendors were saying that buyers were much more optimistic and enthusiastic than they were a year ago," said Phil Weinstein, president of Affiliated Drug Stores.

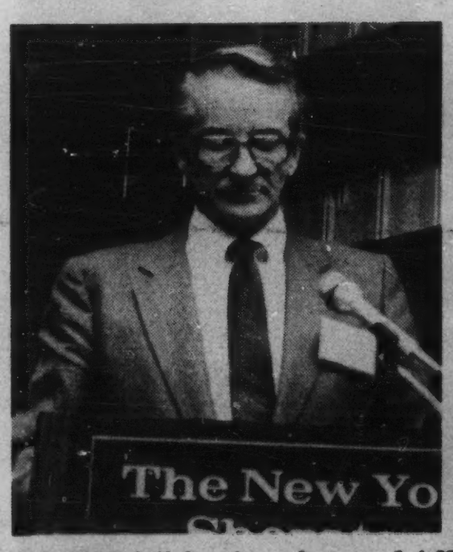
Genovese chairman and president Leonard Genovese, who is also chairman of Associated Chain Drug Stores, noted that there were "more smiles and

Continued on page 60

LATE NEWS

CONSUMER VALUE STORES (CVS) is close to reaching an agreement with owners of Lincoln Pharmacies for the acquisition of the nine-store chain based in Worcester, Mass. David Jonson, senior vp at CVS, would neither confirm or deny that negotiations were under way, but other sources close to the situation said an agreement appeared imminent. Lincoln Pharmacies, owned by Ed Aronovitz, operates stores in Acton, Auburn, Milford, West Boyleston and Worcester, Mass. CVS, a subsidiary of the Melville Corp., operates 433 health and beauty aid stores and pharmacies in 14 states.

Chain execs, vendors mingle at N.Y. buying shows



The 1982 fall buying shows of Affiliated and Associated members were once again an opportunity for both vendors and chain drug executives to meet and share new ideas. Among those attending are (left to right): Jack Gavin, national accounts manager for Procter & Gamble (see related story on Gavin's presentation), Dan Herrmann, president of Fay's Drug and newly named board chairman of the Affiliated group, Associated members Larry LaRock and Larry Snook of Rea and Derick mixing with Rich Christmas from Almay and Alvin Towle, president of Gray Drug Fair who was just named to the board of directors of Affiliated. See other pictures on page 2.

News in brief

Longs to raise its ceiling—chainwide

WALNUT CREEK, Calif.—After testing its new higher-cube backroom prototype in six stores, Longs is going chainwide on all new stores.

The purpose: to increase the sales area without increasing the store's square footage. Longs does not operate a central warehouse.

In the prototype stores, Longs has raised backroon ceilings from 14 ft. to 18 ft. Thus, instead of 33% to 40% of the store's overall space being devoted to the backroom, only 30% is now utilized.

This means that a typical 25,500-sq.-ft. (overall) store now has the selling space of a 27,500-sq.-ft. unit while maintaining the same size floor and ceiling. The added expense comes from raising the walls approximately 4 ft.

Longs has found the new backroom prototype to be cost-justified—especially since Longs has the highest sales per square foot of selling space in the country ($408).

King Soopers tests Rx computer

DENVER—King Soopers has installed an IBM Series 1 stand-alone pharmacy terminal in its Arvada, Colo., store for a six-month test.

According to Gordon Hebenstreit, director of pharmacies, the system is a "standard IBM package with capability of communicating with a host computer."

The Arvada store was selected for the test because of its proximity to King Sooper's headquarters—about 10 miles away.

After the test period, management will decide on whether to go chainwide.

King Soopers, No. 1 in the Colorado market in both drug and supermarket, operates 53 pharmacies in its 40,000-45,000-sq.-ft. combos.

Fisher Foods to open 2nd Jax unit

NORTH RANDALL, Ohio—The Fisher Foods company will open its second low-margin "Jax" drug store this month in this east Cleveland suburb.

The 24,000-sq.-ft. freestanding store is the second such unit opened this year by the Bedford Heights, Ohio, operator of 55 Fazio supermarkets. The first unit, opened in August in Rocky River, Ohio.

Fisher Foods is one of several major chains that have opened low-margin stores, with pharmacies, during the past year in an effort to combat the effects of a sluggish economy.

Crown tests Rx stand-alone computer

ADVANCE, N.C.—Crown Drugs is testing its first pharmacy computer, a stand-alone IBM Series 1. Ray Gentry, Crown president, said he has not decided whether to install the stand-alone system in all 14 Crown stores or put a mainframe computer in the company headquarters that will be linked to terminals in the stores. He said he expects to decide within two months. A problem with the mainframe system is that 10 local telephone companies operate in the area of his stores, and connecting the store terminals over dedicated lines could be complicated, Gentry said.

O'Brien gets top job at Rexall

ST. LOUIS—John E. O'Brien, former president of No-Nonsense Fashions Inc., has been appointed chairman of the board of directors, president and ceo of the Rexall Corp., it was announced by Howard K. Vander Linden, vice chairman of the board of directors.

Vander Linden said O'Brien, who was president of No-Nonsense, a division of Gulf+Western since 1977, "is an executive with a proven track record of great success in our industry. He brings to Rexall an exceptional background in the health and beauty product industry and a very strong grasp of consumer-driven marketing."

Winner of Nostalgia Quiz #11 chosen

Lawrence Dilks of Eckerd Drug is the $100 winner in *Drug Store News'* Nostalgia Quiz #11. The correct answer was Jewel Tea and Osco Drug. Nostalgia Quiz #13 can be found on page 18 of this issue.

In search of the hot item

Decisions reflect everything from facts to gut feelings

NEW YORK—Coming up with the hot new products that fly off the shelves is a serious business at drug chains, one in which everyone from top execs to buyers invests a great deal of time and effort.

Regular brainstorming sessions involving buyers, merchandise managers and top executives lead to the final decisions that are so crucial in giving one chain a competitive edge over another.

Perhaps no chain invests more effort in selecting key products than Walgreens.

"New products are the lifeblood of the business and very important for Walgreens," observes Fred Canning, president and coo of the Deerfield, Ill.-based chain.

At Walgreens, the search for new and exciting items involves a team effort that includes Canning. Product categories are reviewed once or twice a year. New item meetings are conducted three times a month with Canning and Vern Brunner, senior vp of marketing, sitting in.

Factors that lead to the selection of hot new items include the success of products already carried, the reputation of the manufacturer, the manufacturer's advertising budget and, sometimes, the plain old gut feeling of a buyer.

Gut feelings

Gut feelings led many chains, including Genovese, to buy E.T.-related products sight unseen. The movie's success prompted Rite Aid to buy E.T. action figures, board games and bubble gum cards, all of which are selling well.

At Shoppers Drug Mart, Alan Goldman, director of purchasing, said the chain is always looking to improve its mix.

"We have monthly marketing committee meetings to introduce new areas," Goldman said. "We're looking at areas such as hardware to expand our mix. We have target marketing and look to see if we are satisfying what our customers really want. And we're developing programs."

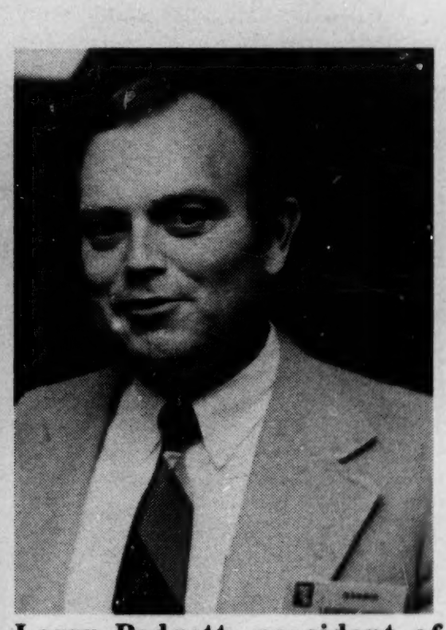
Goldman said the chain is currently looking into automotive, fashion sunglasses and convenience snack food. One new product that has caught the attention of Shoppers Drug Mart is the new $100 computer from Timex.

At Perry Drug Stores, buyers meet weekly with Allan

Continued on page 60

Drug chain execs mix pleasure with buying at New York shows

Rich Landers (left) of Gray Drug Fair was in New York for Affiliated's meeting. Here Landers poses with Revlon's George Williams.



Larry Padgett, president of Carls, was the master of ceremonies during Associated's business session.

K&B's Jeanette Solomon mixed with executives from other chains as well as her brother, Arnold Arbitter, who also attended the cocktail party held in honor of Associated members.

Nature's Bounty's Stanley Krasnoff poses for a picture with Saul Schneider from K&B.

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Vol. 4, No. 23 November 1, 1982

Ray Shapero from Cunningham visited the many exhibits at the Sheraton during Associated's part of the buying show.

Lou Adams of Russ Berrie discusses the great food provided during the party with Mark Blandford of Carls.

CHAIN STORE AGE
MERCHANDISER

Drug store remedy sales rise 14% in July-Aug.

Food stores outpaced drug stores in three of the four major health and beauty aid categories, according to the Sept. 1 Neilsen report.

Only in men's products were drug stores able to match the 6% sales gain that food stores registered during the July-August tracking period.

The greatest sales gain for each of the three retail segments was in remedies. Drug store remedy sales were up 14% for the period, while unit sales grew 1%. In addition, drug stores had a 46% share of sales, or $189.9 million of the $413.3 million in remedies sold during the two-month period.

In remedies, food stores reported a 15% dollar sales increase during the July-August tracking period, but unit movement dropped 3% compared to a year earlier. Food stores had a 44.8% market share, or $185.2 million in sales. Mass merchant remedies sales increased 10%, but unit movement declined 2%. Mass merchant sales totaled $38.1 million, or a 9.2% market share.

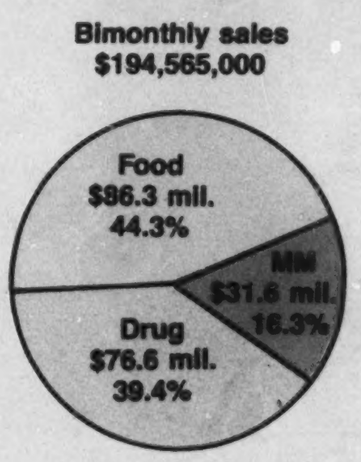
Both dollar sales and unit movement increased for all three retailers in oral hygiene and women's products. In oral hygiene products, drug store sales increased 6% and unit movement 3%. Two-month sales totaled $52 million, or a 25.2% market share. Food stores, which dominated this product group with a 59.7% share, or $123.5 million in sales, had a 9% sales gain. Unit movement was up 3%. Mass merchants had a 10% gain in oral hygiene dollar and unit sales. Mass merchant volume totaled $31.5 million, or a 15.2% share.

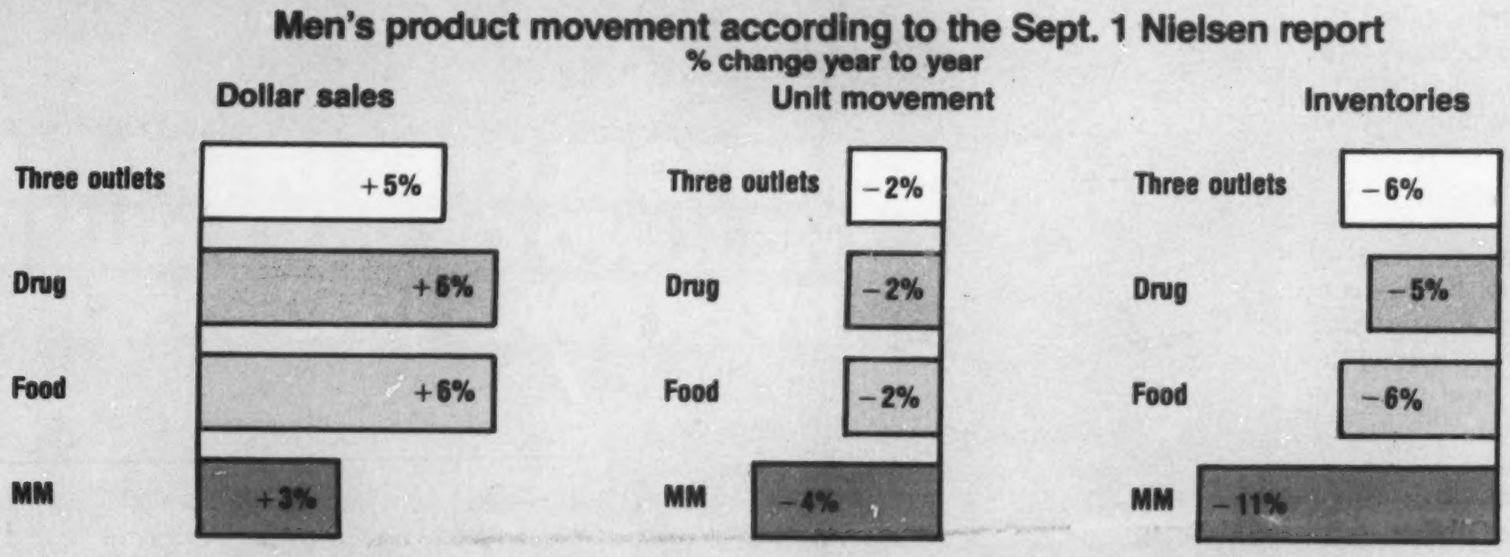
The other product group in which all three retailers had both dollar and unit sales gains was women's products. Drug and food stores had almost an equal share of the $612.8 million market in July and August. Drug stores had $252.9 million in sales, or 41.2% share, while food stores had a 41.8% share, with $255.9 million in sales. Both drug and food outlets reported 2% unit movement gains, but food stores had a 9% increase in dollar sales and drug stores had a 7% increase. Mass merchants had the biggest dollar sales and unit movement per cent gains. Dollar sales increased 15% and unit movement grew 9%. Mass merchant sales totaled $103.9 million, or a 17% share.

In men's products, dollar sales increased an average 5% for all three outlets while inventory and unit movement were off. Drug and food stores each reported 6% dollar sales gains, but 2% declines in unit movement. During the period, men's product inventories dropped 5% in drug stores and 6% in food stores. Mass merchants reported the greatest drop in men's product stock levels, off 11%. Mass merchant dollar sales climbed 3% during the bimonthly period, while unit movement was off 4%.

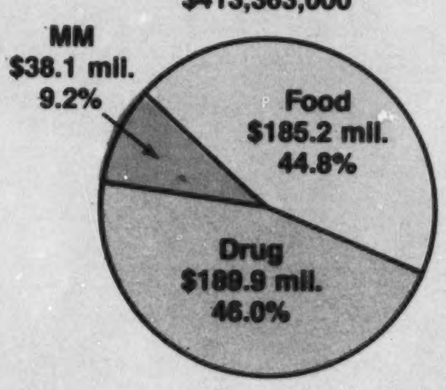
Nielsen Marketing Research

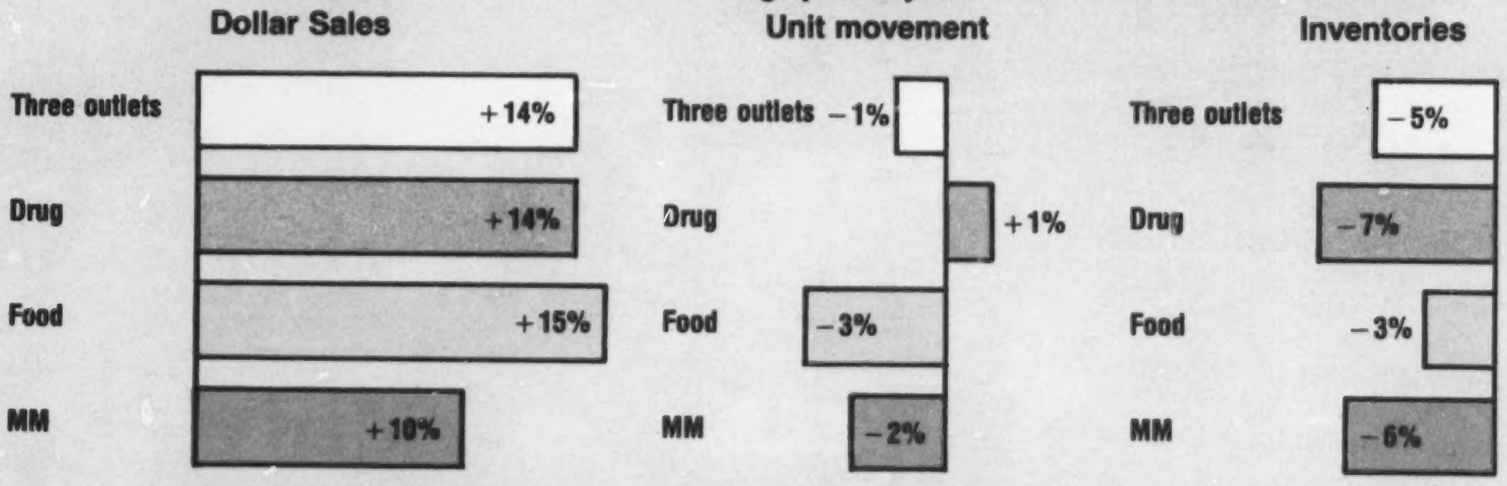
Men's product movement according to the Sept. 1 Nielsen report



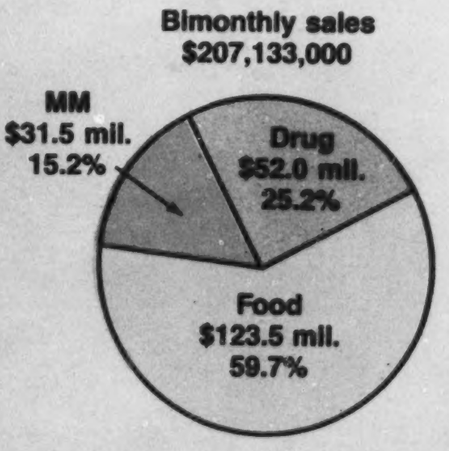


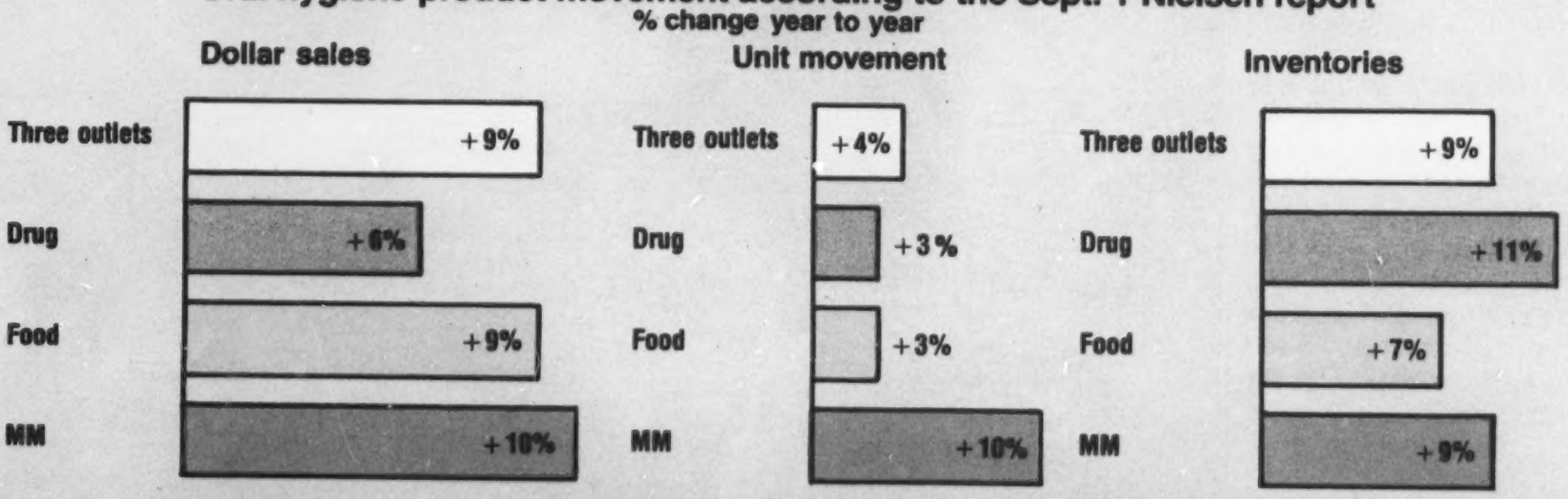
Remedies product movement according to the Sept. 1 Nielsen report



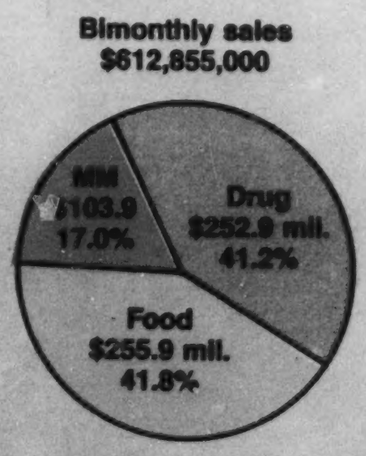


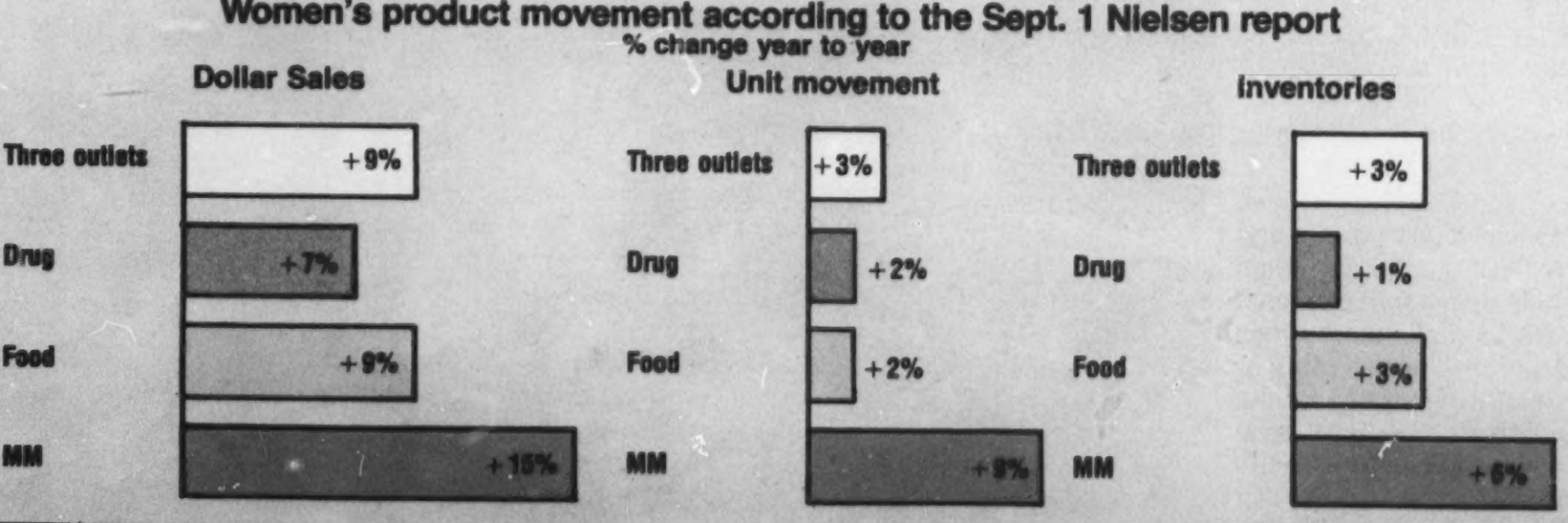
Oral hygiene product movement according to the Sept. 1 Nielsen report





Women's product movement according to the Sept. 1 Nielsen report





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tune in to home video market—p. 59

DRUG STORE NEWS

Vol. 4 No. 24/Incorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./November 15, 1982

Food/drug units planned

Sav-On targets central Calif. with 1st combos

FRESNO, Calif.—Sav-On's long-awaited foray into food/drug combos will be launched in the agriculture-rich San Joaquin Valley in 1983.

According to industry sources, the combination stores will be 48,000 sq. ft. overall, with 60% of the space devoted to food and 40% to drug. They will be located in the following cities:

—**Merced** (50 miles north of Fresno). Construction will begin in two months, with completion scheduled for June 1983.

—**Porterville** (40 miles southeast of Fresno). Construction will begin in six months.

—**Fresno** (200 miles north of Los Angeles). The site at First and Tulare is set. The other locations (Cedar and Dakota and one in the northwest section of Fresno) have been acquired subject to zoning. If the rezoning is not approved, then Sav-On will pull out of First and Tulare because the chain insists on having a minimum of three locations in Fresno.

In addition, Sav-On has made a number of offers for a 28-acre tract in Clovis, a town of 33,000 residents, contiguous to Fresno on the east. However, the owner of the property would not sell. Sav-On is still looking for a location in Clovis.

Sav-On's move into food/drug combos comes as no surprise to West Coast drug chain people. When Jewel acquired Sav-On in November 1980, the proxy statement noted that "the combined company will benefit from opportunities for development of drug

Continued on page 68

Chains, vendors get ready for F.D.A. packaging rules

By Mary McKiernan

NEW YORK—Drug retailers and manufacturers are gearing up for the new F.D.A. tamper-resistant packaging regulations for OTC drug products.

At Walgreens, for example, where the decision to withdraw Tylenol from store shelves was made within hours of the Oct. 1 contamination announcement, lab engineers are now studying all packaging possibilities in anticipation of the new regulations.

According to a chain spokesman, many of the 125 varieties of OTC private-label products have already some sort of protective seal.

At Peoples Drug Stores, where over 600 private-label products represent about 5% of all sales, steps are being taken to package "anything that's ingestable in tamper-resistant packaging," according to Joseph Pollard, vp of advertising and public relations.

"We're working with our private-label manufacturers, including our own B. H. Kreuger Inc., in New Jersey, which produces primarily H&BA items." Pollard said additional packaging will definitely add to the cost of private-label products, but probably only pennies per package.

At presstime, the Food and Drug Administration was awaiting clearance of the regulations by the Office of Management and Budget. "Regulations are pending now which cover all OTC drug products and define tamper-resistant packaging for each category," said Christopher Smith, an F.D.A. spokesman.

Smith said capsules will be the first dosage form to get new packaging rules and conformance may be required within 90 days of the regulations' passage.

Other dosage forms and drug products are also included in the pending regulations, according to Smith, but implementation dates have not yet been established.

Smith explained that the new regulations, drafted in close co-

Continued on page 68

FREE!
BOT OF
DRUG FAIR
ASPIRIN FREE
PAIN RELIEVER
RETURN YOUR TYLENOL CAPSULES FOR FULL REFUND PLUS GET A BOT OF DRUG FAIR PAIN RELIEVER AT NO CHARGE

A New Jersey Drug Fair posted this sign to encourage customers to turn in Tylenol bottles.

Revco beefs up hearing aid venture with 20 more depts.

WINSTON-SALEM, N.C.—Revco Drug Stores will open leased hearing aid departments in another 20 stores next year, reinforcing its commitment to one of the chain drug store industry's newest, and largely untapped, health service markets.

The enclosed 170-sq.-ft. hearing aid centers will be installed in Revco stores in seven southeastern states: Virginia, North Carolina, South Carolina, Tennessee, Georgia, Alabama and Florida. The Incus Corp., which installed leased hearing aid departments in three North Carolina Revco stores more than a year ago, will own and operate the 20 new centers under terms of its contract with Revco.

Continued on page 68

NACDS tables voting on annual trade show

COLORADO SPRINGS—Endorsement of an annual merchandise trade show sponsored by the National Association of Chain Drug Stores was postponed by the organization's board of directors at their regular meeting here last month.

NACDS president Bob Bolger said board members put off any action on the proposed trade show, pending receipt of more detailed information from the organization's staff.

"This is still an idea that, at this point, is only under discussion," Bolger told *Drug Store News*. "We are looking into the possibility of launching a trade show, but want to know what ramifications it might have for our members, as well as other trade organizations," he said.

An NACDS-sponsored trade show would augment annual shows now sponsored by the Affiliated and Associated Drug Store organizations, which specialize in general merchandise and other front end sundry products, he said.

Besides the trade show, NACDS directors are also considering whether to combine two or more of the organization's various conferences into a single event. "An OTC and pharmaceutical conference, a merchandising and cosmetics conference or an MIS and SCOPE conference may be what we'll see in the future," Bolger said.

Eventually, an NACDS trade show for nonsundry merchandise categories such as cosmetics, OTC, and health and beauty aids may be held in conjunction with several of the annual conferences, he added.

"That way, the smaller chains won't have their key people out of the office as frequently as they do now," he said.

Fisher tells ex-prez: 'No Jote's'

CLEVELAND—John Fazio, the former president and ceo of Fisher Foods Inc., is preparing to challenge his old company with a low-margin drug store.

Fisher has already entered the low-margin drug store arena in Cleveland with its two Jax units, and several Jax stores are on the drawing board.

The food and drug retailer is not taking the competition from Fazio lightly. Fisher Foods has filed suit against Fazio, alleging that he broke his consulting agreement with the chain not to operate any business similar to Fisher Foods within 50 miles of a Fisher unit until Jan. 23, 1988.

Fisher Foods' suit is asking the courts to prevent Fazio from opening his 38,000-sq.-ft. store, dubbed "Jote's," and impose unspecified "damages." The store, in the Lakeshore Shopping Center in Lake County, is scheduled to open Dec. 1.

Fazio's attorney, Stanley Fisher, countered, "The consulting agreement was terminated in 1981 by Fisher at his [Fazio's] request. It is null and void. The noncompetitive agreement was limited to supermarkets, warehouses and manufacturing. Those are the businesses Fisher was in in 1979."

A spokesman for Fisher Foods, which operates 55 Fazio supermarkets in the Midwest, declined to comment on the case because of the pending lawsuit.

According to John Fazio's lawyer, Fisher Foods was never in the drug store business in Cleveland until the first Jax unit in the Rocky River suburb

Continued on page 68

SupeRx buys Gray's Cincinnati stores

CINCINNATI—High advertising costs, a "very poor" union contract and the lack of expansion opportunities has prompted Gray Drug Fair to sell 11 Cincinnati-area Gray stores to SupeRx.

"We were a poor fourth in that market," Gray Drug Fair president Al Towle told the *Drug Store News*, and "there was really little opportunity for us to expand." The market's domination by SupeRx, Walgreens and Rite Aid (under the Lomark banner) all but eliminated Gray's ability to grow, he said, "making this a very costly market for us."

Under the transaction, SupeRx acquired five Gray stores in greater Cincinnati for an undisclosed amount of cash, as well as stores in Milford, Ohio, and Florence, Newport and Erlanger, Ky.

The purchase boosts SupeRx's store count in the Cincinnati SMSA to 42, and its total store count to 556.

— News in brief —

Hook sells 5 of 7 test food stores

INDIANAPOLIS—Hook Drug has sold five of the seven Quik-Way Convenient Food stores that the chain opened during 1979-80 as a test.

"It became clear that this area of nonhealth care retailing held no future for the continuing operations of the Hook Drug Company," said J. Douglas Reeves, chairman of the board and president of the 281-store chain.

The stores were sold to Banquet Ice Cream and Milk Co. of Indianapolis for an undisclosed sum. Banquet, in turn, owns E-Z Stop Inc., which operates convenience stores.

According to a company announcement, "There will be no material effect upon the financial position of the company as a result of this transaction. The remaining two Quik-Ways will be sold or closed by the end of the year."

Imasco to offer $1M in common shares

MONTREAL—Imasco Limited, parent company of Shoppers Drug Mart stores in the United States and Canada, has announced its intention to file a preliminary prospectus for a public offering in Canada of approximately $100 million of common shares.

The proceeds will be used to finance the corporations future acquisitions and investments, Imasco said. A company spokesman said no decision has yet been made on how the acquisition dollars will be distributed.

Imasco directors also approved a 2 for 1 split of the company's common stock earlier this month.

Perry opens largest combo

ROLLING MEADOWS, Ill.—Perry Drug Stores has opened its largest combination drug and auto-home center store—a 24,800-sq.-ft. unit in this northwestern Chicago suburb.

It is the Pontiac, Mich.-based chain's 125th retail unit and 65th combination store. This unit, which opened on Oct. 14, is in keeping with Perry's plan to make all new and remodeled stores combination auto-home centers and drug stores.

In addition to automotive replacement parts, prescriptions and other traditional drug store lines, this store carries hardware, sporting goods, pets and pet supplies, electrical products and plumbing supplies, according to a chain spokesman.

Whitticom joins Carls as merchandising vp

ROME, N.Y.—Jim Whitticom has left his job as divisional merchandise manager for Walgreens to become senior vp of merchandising for Carls drug, which is headquartered here. Whitticom fills a position that has been vacant since Don Cardelle left last February.

Drixoral to be converted to OTC status

NEW YORK—Drixoral, a leading prescription cold tablet with 22% of the market, will change from Rx to OTC status.

As an OTC drug, the product is projected to capture 12% of the much larger adult cold tablet market. According to Shering, this marks the largest conversion of a product to OTC status in pharmaceutical history.

Earlier conversions include Tinactin, Afrin, and Chlor-trimeton.

Packaging is redesigned, and each carton contains 10 sustained action tablets which are individually sealed in tamper-resistant blister packs.

Arbor enlarges, moves its headquarters

TROY, Mich.—The 28-store Arbor Drugs Inc. has moved into a new 72,000-sq.-ft. warehouse and office complex in Troy. Arbor, which operates stores averaging 10,000 sq. ft. to 12,000 sq. ft. in southeastern Michigan, was formerly located at a smaller facility in Dearborn, Mich.

Winner chosen in Nostalgia Quiz #12

Michael Mattes of Walgreens in Van Nuys, Calif., is the winner of $100 in *Drug Store News'* 12th Nostalgia Quiz. The correct answer was Thrift and J. C. Penney. Nostalgia Quiz #15 can be found on page 64 of this issue.

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Vol. 4, No. 24 November 15, 1982

On the computer fast track, checkout scanners are next

LAS VEGAS, Nev.—The relentless pressure for more productivity and tighter controls has opened the door to the third phase of the drug wholesaler's evolution in the computer age: electronic checkout scanners.

The first two phases—electronic order entry and mechanical/automated warehouses—are proceeding at full speed.

Attendees at the National Wholesale Druggists' Association convention could not agree on a timetable for scanners. Estimates ranged from two to 10 years. However, most believe that scanning (now being tested with five chains through the auspices of a Chicago-based marketing research firm) will become an industrywide reality when the following happens:

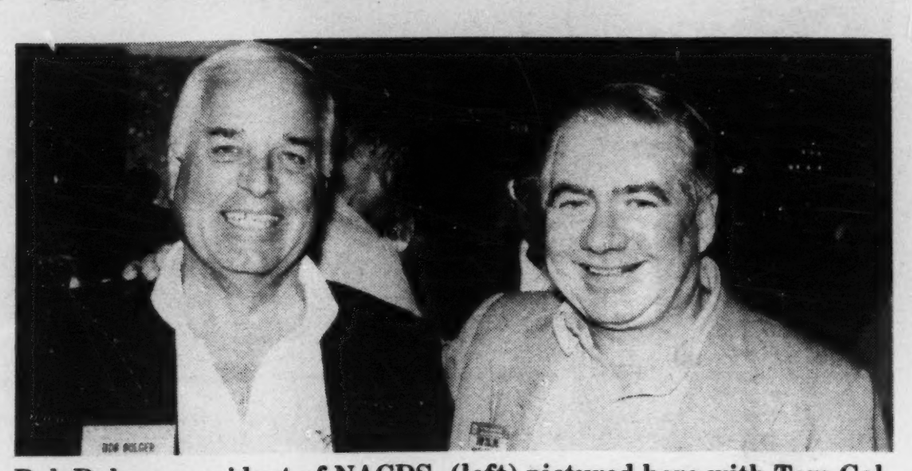
- Equipment costs are reduced from the current $10,000 per checkstand (in supermarkets). Some observers say the go-ahead will come when the cost drops to $5,000 or $6,000.

Sidney Dworkin, president and ceo of Revco, told *Drug Store News* that store volume and inflation will be the determinant factors. "There are no limits to technology," he said, "so it is conceivable that if the price of scanners goes down to $2,000 or $3,000 per unit, they might be cost-effective for stores doing $1 million. But if inflation rises, it may necessitate $2 million in sales."

- Manufacturers increase the number of products on Universal Product Code (UPC) from the present 40% to 50% of total inventory to the supermarket level of 80%.
- Manufacturers miniaturize the UPC code to fit the smallest size packages.

Bob Bolger, president of NACDS, told *Drug Store News* that "the scan equipment needed will be different than that used in supermarkets because drug stores are a different type of operation, with fewer checkstands and less volume."

Continued on page 67



Bob Bolger, president of NACDS, (left) pictured here with Tom Collins of SmithKline & French, feels that "the scan equipment needed will be different than that used in supermarkets because drug stores are a different type of operation, with fewer checkstands and less volume."

Pay 'n Save founder Monte Bean dies at 83

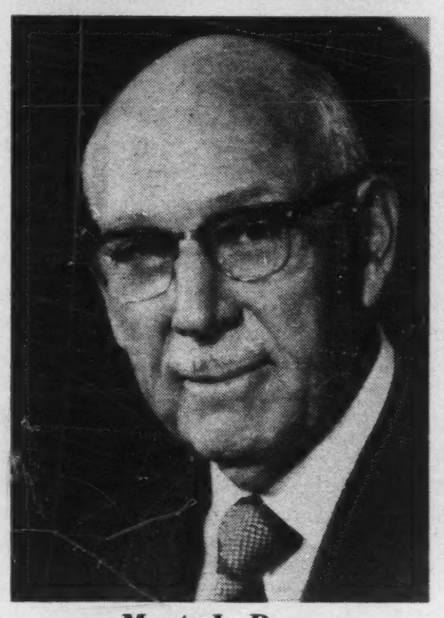
SEATTLE—Monte L. Bean, who rose from a retail clerk at the age of 16 to found one of the nation's largest drug chains—the Pay 'n Save Corporation—died Oct. 16 at the age of 83.

Born on Jan. 23, 1899, in Richfield, Utah, Bean began his retail career as a clerk in the Cameron Mercantile Co., a dry goods store in Marysvale, Utah.

Bean served as a marine in the final months of World War I, then returned to study at the Latter Day Saints Business College in Salt Lake City.

He was hired as a bookkeeper for Skaggs Cash Stores just before graduation, and

Continued on page 67



Monte L. Bean

Food program expanded

More Longs units go private label

WALNUT CREEK, Calif.—Longs is expanding the Kitchen Korner private-label food program to its southern California stores.

The program started in the northern division (northern California, Nevada, and Bend, Ore.), where six food items were tested for six months.

The items: 32-oz. mayonnaise, 18-oz. preserves in four flavors and 18-oz. peanut butter.

The sizes selected are best sellers in their category—except for strawberry preserves. The best seller nationally is the 32-oz. size. However, Longs decided on the 18 oz. because of the price points. The rationale: the unit price of around $1 for the 18 oz. is more acceptable to consumers than the $2 price range for 32 oz.

Longs is considering additional items in the food category.

The decisive factor as to whether to add an item to the Kitchen Korner line is the price spread between national brands and loss-leaders, as well as the rate of movement.

What triggered Longs' entry into private-label food is the surge of generic food sales in supermarkets. For example, Lucky stores in Longs' marketing areas have done an exceptional job in gaining consumer acceptance of its generic line.

Thus, Longs' execs reasoned that instead of taking on a generic line where not all items have quality equivalent to national brands, why not a private label where the quality can be more closely controlled so that it does match national brands.

In addition, Longs felt that with truckload buys, and without having to indirectly pay for the national brand advertising, it could better its profit margins and still offer consumers an exceptional value.

The Kitchen Korner private label is a spin-off of Longs' Kitchen Korner mini-food departments, now being tested in seven stores. The department contains some 300 staple food items.

In all of its stores (except the seven Kitchen Korners) food is not homed, but is displayed on in-and-out ends as well as on 4-ft. square tables in the center aisle of the store. Longs displays its hottest food values on the front ends to impact a store-wide low-price image as soon as the customer enters the store.

Food and snacks account for 8% of Longs' total volume. Considering that the stores average $6.5 million in sales, that equates to a lot of food tonnage.

Pay Less NW adds Nev. store to its Idaho market

WILSONVILLE, Ore.—Pay Less NW returns to Nevada in the spring of 1983 when it opens a 29,684 sq. ft., store in the Sun Rise Shopping Center in Elko. This will be Pay Less' 148th store.

In 1981, after acquiring the Pay Less Oakland chain, Pay Less NW sold the two Reno stores which had been operated by Pay Less Oakland to Longs Drugs. This removed Pay Less from the Nevada market.

A Pay Less NW executive explained why the chain had decided to re-enter Nevada: "We don't operate by state, but by market—and Elko is in northern Nevada, near the Idaho border. The store will be part of the Idaho division, which now consists of stores in Boise, Twin Falls and Pocatello. We have no plans for returning to the Reno market."

Elko store

The Elko store will be the third of the new down-sized Pay Less prototype which reduces selling space by 3,000 sq. ft. In order to do that, Pay Less NW made the following changes:

- The middle and rear gondolas were shortened. The middle gondola dropped from 32 ft. to 28 ft., and the rear from 32 ft. to 24 ft. The front row remains at 24 ft. Reducing the length of the gondolas necessitated eliminating slower-moving items from every department.
- The height of gondolas for hard lines (auto, hardware and sporting goods) was raised as well as the height of perimeter gondolas from 60-66 in. to 72 in.
- The back space in the backroom was cut by 10%. "We were able to do this," says Ron Schiff, senior vp-operations, "because our distribution center has matured. With two deliveries a week, we have quick turnaround time."

America's health and fitness phenomenon *has made chain drug stores a natural and convenient outlet for nutrition centers.*

The natural foods market: profile in profits

Nutrition centers. The phrase is so hot it sizzles. Few categories have caused as much excitement, enthusiasm—and action—among retailers. Chains from New York to San Francisco are adding these departments, investing from $10,000 to $45,000 to get started and reaping annual volumes as high as $400,000 per store.

Drug stores, supermarkets and mass merchandisers are not the only retailers to capitalize on the fitness and nutrition trend sweeping the country. The number of health food stores, including 1,000 General Nutrition Centers, has mushroomed to 8,400 compared to only 1,000 stores 12 years ago. The number of nutrition centers in supermarkets has ballooned over 30% in the first half of 1982 alone, to 1,100 from about 850. Last year supermarket nutrition centers reported sales of $300 million, a 12.5% share of the $2.4 billion market, according to *Natural Foods Merchandiser.*

The commitment by supermarkets and a growing number of drug stores to nutrition centers is so strong, in fact, that natural foods stores are bracing themselves for a tough battle ahead. Already, more and more health food distributors and manufacturers are wooing major drug store and food chains for the opportunity to put their once-alternative products into mass distribution.

The health food store specialists may have experience, expertise and service in their favor, but drug stores have the health care image, in-store pharmacists, buying clout and bigger budgets. Expertise and experience will follow in due time.

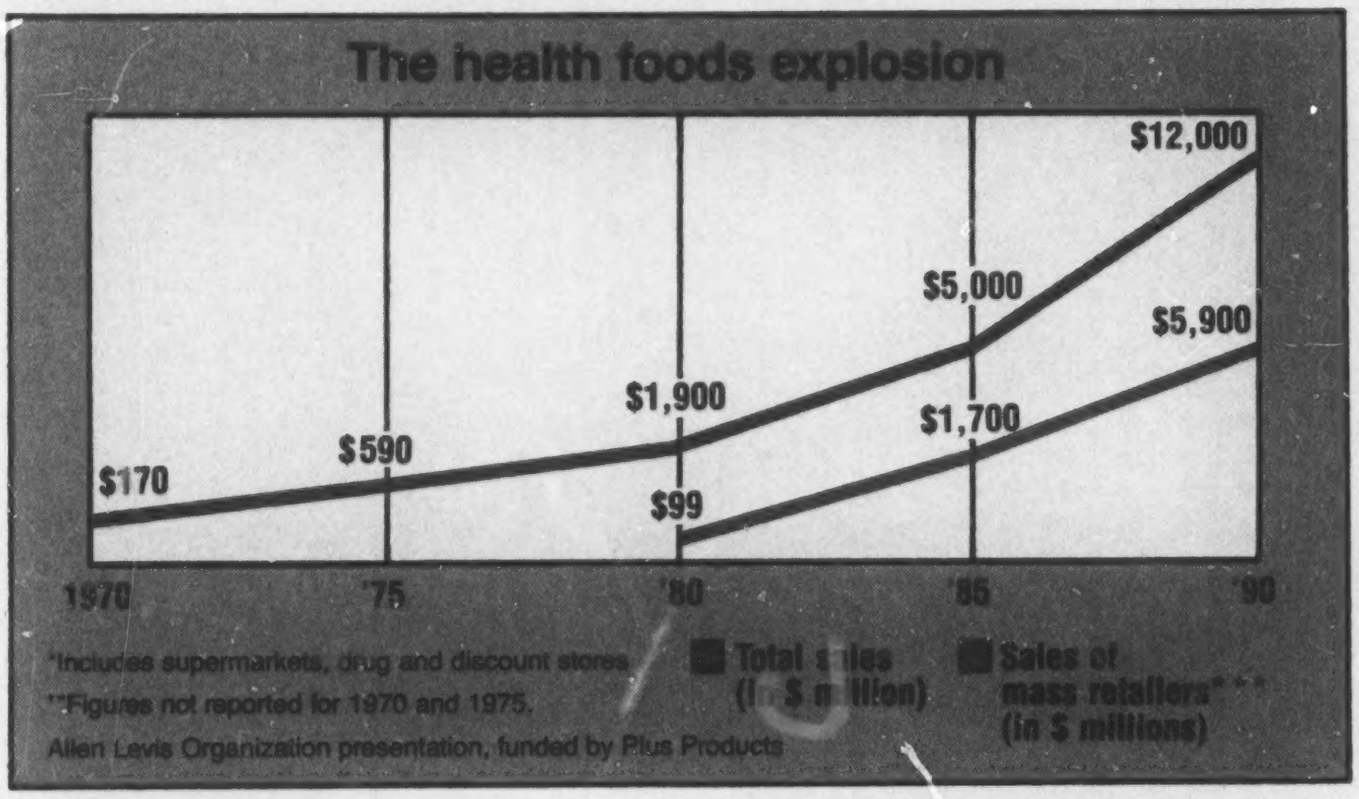
Everyone's getting into the act. SupeRx has expanded nutrition centers in about 150 of its stores, many of them staffed with a health foods expert who can answer consumer inquiries and promote the department. The chain's three nutrition center models range from 80 to 130 running feet.

Longs, one of the first drug store chains to pick up on the health foods trend, operates nutrition centers ranging from 16 ft. to 80 ft. in dozens of its stores. Several Longs stores also carry bulk health foods. Snyder's Drug Stores has installed 8 ft. to 30 ft. "Fitness Stops" in its 48 corporate-owned stores, as well as many of its franchise stores. Genovese Drug operates six nutrition centers, ranging from 30 ft. to 48 ft. Eckerd, Dart, Fay's, Shoppers Drug Mart and other chains are also testing the nutrition center concept in a limited number of stores.

The bulk of merchandise stocked by drug store nutrition centers comes from wholesalers and distributors who, because of their buying capabilities and expertise, can assume many of the inventory control functions so

important in this category. Average gross margins on most health food products, including vitamins and nutritional supplements, range from 30% to 50%.

Why the sudden interest in natural foods? Among other things, drug store retailers have discovered that the health foods shopper is no longer a rare bird. Health foods are a logical extension of a drug store's traditional health care image, as well as the jogging, vitamins and fitness phenomena.



Drug stores, which account for 31% of all vitamin sales nationwide, have found that natural vitamins and supplements can have a profound impact on total vitamin department sales.

And then there are the profits, which at 30% to 50%, can do wonders for the bottom line. Annual inventory turns average between seven and eight in most stores, but can run as high as 13.

Despite these mouth-watering incentives, setting up a nutrition center is truly a new game with all sorts of new—and sometimes confusing—rules. Novice health food retailers face a variety of challenges, from finding the right product mix to hiring the right people to manage the department. There are also ethical, legal, even sanitary considerations in developing a health center. Here's a collection of information designed to give retailers a running jump:

• **What goes into a nutrition center?** It's rough navigating through a sea of products all claiming to be "natural" or "nutritional." Can candy be natural? Maybe. Is gourmet food nutritional? Sometimes. Should you include low-salt and sugar-free products? Some retailers do, some don't. As long as "natural" and "nutritional" are catch-all words, there will never be any clear-cut answers. For the record, the National Nutritional Foods Association (NNFA) defines nutritional products as those containing, at the very least, no added chemical preservatives. Ideally, according to NNFA, they should have no sugar or salt, either. Some chains do integrate low-sodium and sugar-free canned fruits and vegetables into nutrition centers, but most agree that diet products like Figurines or Carnation instant breakfast drinks do not belong.

• **What about "natural" cosmetics?** Purists say it's not natural if it contains any of the following synthetic ingredients: mineral oil, sodium lauryl sulfate, TEA, benzoic acid or sodium benzoate, butyl paraben, methyl paraben and stearates, to name a few.

• **Obeying the law:** Nutritionists sometimes joke about spending half their time keeping two steps ahead of the American Medical Association and the police. There is some truth to that. A health center employee may not prescribe or diagnose, even if he or she is a licensed nutritionist.

This poses a tricky problem. What if a customer complains of headaches and asks your health center manager, "What should I take?" According to Bob Grenoble, executive director of NNFA, the answer must be worded *very* carefully: "You can explain what the product is traditionally used for. You can refer the customer to the shelf area where the product is. We also recommend that retailers refer customers to books and literature. There's a very fine line between prescribing and explaining."

Grenoble notes that Food and Drug Administration agents frequently inspect health food stores, posing as customers. They complain of various ailments, request advice, and if retailers "prescribe," they site them for an F.D.A. violation.

• **Finding the right people:** "Here I was searching high and low for someone to run my nutrition center when all I had to do was look in my own backyard," says one retailer, describing his search for qualified health care managers. "A woman who'd worked for me eight years is heavily 'into' health foods and nutrition. She was perfect for the job." Some chains use other tactics to find help, like luring clerks away from health food specialty stores, which usually pay considerably less than the drug store salary scale.

Once you've got the people, you can train them in several ways. One cost-free method is arranging seminars with manufacturers, many of which do offer this service. If it's in your budget, you can send your staffers for a crash course in nutrition at a local adult education center.

• **The National Nutritional Foods Association:** Based in Oceanside, Calif., the NNFA is the major organization of the health foods industry. Although drug stores cannot join (70% of a store's product mix must be health foods to qualify), they may attend its annual conventions.

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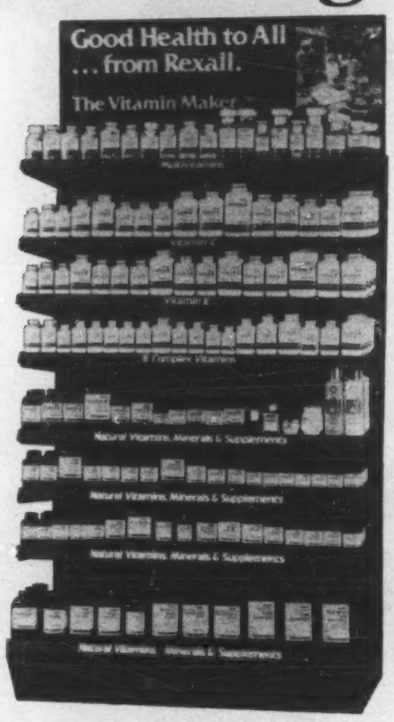

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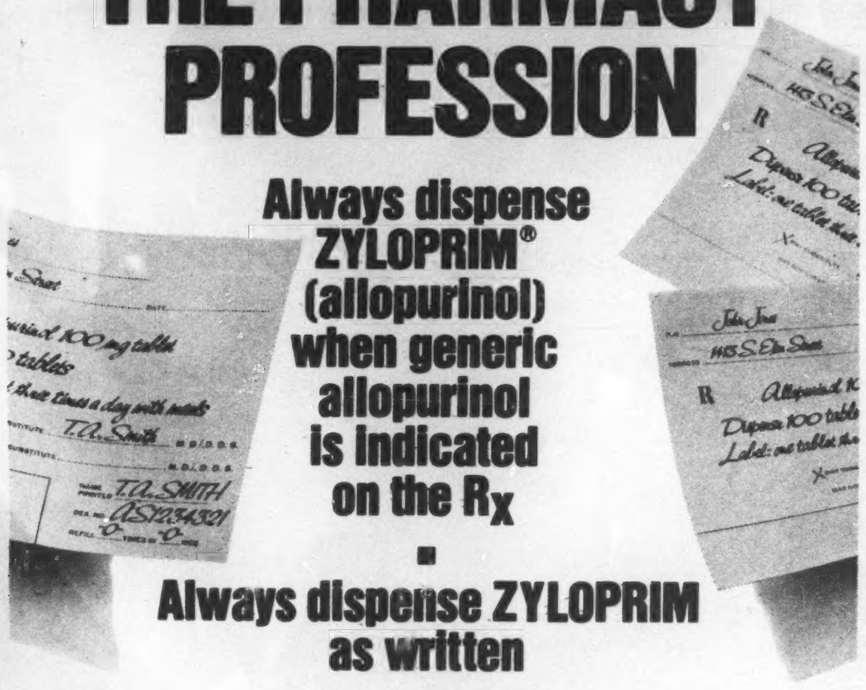

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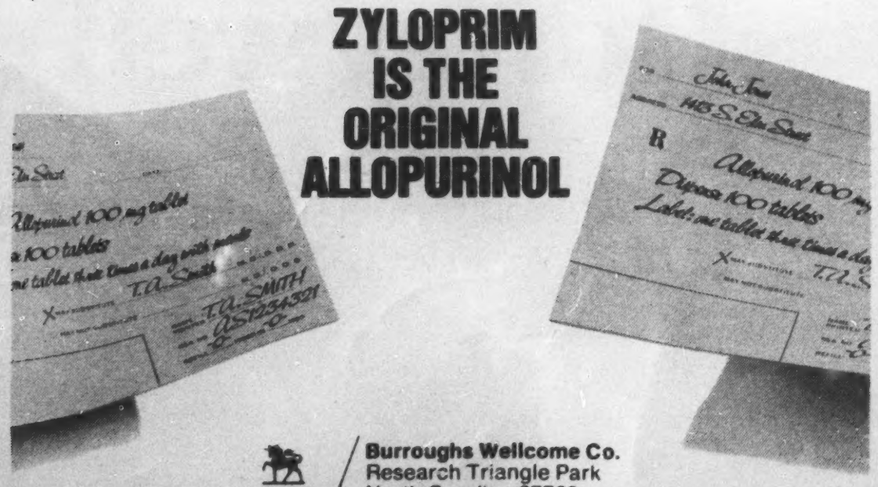

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PHARMACY

B.C. pills: Retail prices rise, margins diminish to 7.2%

Oral contraceptive market trends, August 1982

Drug Description	Manufacturer	% Retail market share Rxs 8/80	% Retail market share Rxs 8/82	% Refill	Average price 8/80	Average price 8/82	% Retail margin 8/80	% Retail margin 8/82
Lo-Ovral-21	Wyeth	11.3	12.6	76	$8.82	$10.04	2.4	4.4
Ortho-Novum 1/50-21	Ortho	11.4	9.8	78	7.84	9.91	12.8	8.8
Ovral-21	Wyeth	12.0	9.0	78	8.63	10.05	3.4	4.5
Lo-Ovral-28	Wyeth	3.4	6.5	72	8.77	10.21	3.9	7.6
Ortho-Novum 1/35-28	Ortho	1.54	6.4	71	7.66	10.21	13.2	9.4
Ortho-Novum 1/50-28	Ortho	4.6	6.3	70	8.99	10.29	15.4	9.9
Ortho-Novum 1/35-21	Ortho	2.5	6.0	74	8.14	10.23	13.3	7.5
Demulen-21	Searle	5.9	4.4	78	9.66	11.76	2.6	2.8
Ovral-28	Wyeth	2.7	3.7	75	8.39	10.28	3.6	8.0
Ovulen-21	Searle	6.1	3.3	79	9.28	11.60	1.3	1.8
Ortho-Novum 1/80-21	Ortho	5.0	2.9	80	7.80	10.11	11.7	7.0
Norinyl 1/50-28	Syntex	2.8	2.8	75	8.60	10.73	17.2	9.7
Norinyl 1/50-21	Syntex	3.9	2.8	77	8.26	10.54	16.3	6.6
Demulen-28	Searle	1.9	2.1	73	9.06	11.75	1.7	5.3
Modicon-21	Ortho	3.0	1.5	78	8.13	9.94	12.4	7.4
Ortho-Novum 10/11-28	Ortho	—	1.3	49	—	10.13	—	8.5
Modicon-28	Ortho	2.1	1.3	75	8.77	9.91	14.9	10.3
Norinyl 1/35-28	Syntex	—	1.2	69	—	9.72	—	10.2
Ovcon-50	Mead Johnson	—	1.2	73	—	9.42	—	17.9
Ortho-Novum 1/80-28	Ortho	1.2	1.2	70	8.30	10.50	10.6	7.6
Ovcon-35	Mead Johnson	—	1.2	72	—	9.24	—	17.3
Ortho-Novum 10/11-21	Ortho	—	1.1	56	—	10.06	—	8.1
Norinyl 1/35-21	Syntex	—	0.9	74	—	10.30	—	8.8
Ovulen-28	Searle	1.2	0.9	75	9.27	11.76	2.7	5.4
Norinyl 1/80-21	Syntex	1.7	0.9	78	7.40	10.63	16.5	4.6
Top 25		92.4	91.2	75	8.53	10.32	7.7	7.1
Other		7.6	8.8	74	9.19	10.66	11.5	7.9
Total		100.0	100.0	75	8.58	10.35	8.0	7.2

Source: Decision Data

ARLINGTON, Tex.—Although retail prices of birth control tablets continue to escalate upward, retailers' margins shriveled to a mere 7.2% for the overall group.

Retailers say their low margins are maintained on these drugs for a good reason—to generate store traffic. So retailers are reluctant to pass the full impact of products' cost increases through to consumers.

Despite declining retail margins Decision Data, a marketing research firm based here, reported the introduction of two new low-dose estrogen formulations during 1982. The two new products are beginning to generate ripples in the market.

Ortho Novum 10/11 in packs containing 21 and 28 tablets captured 2.5% of the highly competitive market following the product's launch in the spring of 1982. And preliminary figures for Wyeth's Nordette, launched in August, indicate the brand captured a 0.5% share of B.C. scripts.

Market trends over the past several years show that physicians and patients apparently like the concept of low-dose formulations, because they trigger fewer adverse reactions than their high-dose counterparts.

"These formulations definitely represent the wave of the future," said an industry analyst. The market statistics reinforce this claim. The No. 1 and 2 products in the market, Lo-Ovral and Ortho-Novum 1/50, are both low-dose formulations. Newer formulations contain even less estrogen.

Other findings noted in the market profile covering data for August 1982 reveal that the average price of a month's supply of B.C. tablets now averages $10.35, an increase of $1.77 over August 1980.

Continued on page 66

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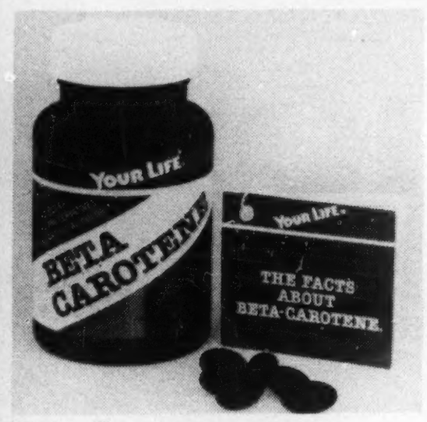
DRUG STORE NEWS

1982-1983
Classified Rates

1 time $60.00/inch
2 times.....$57.00/inch
4 times.....$55.00/inch
6 times.....$52.00/inch
13 times....$49.00/inch
25 times....$40.00/inch

Rates cited are per inch per insertion.

MERCH NEWS

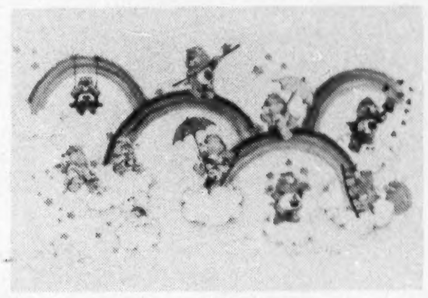


Beta-Carotene

An abundance of Beta-Carotene in diet may contribute to a decreased risk of cancer. P. Leiner is reintroducing Your Life brand Beta-Carotene supplement with new packaging, accompanied by a hang tag clearly explaining the important facts about the provitamin substance. Beta-Carotene is synthesized by the body into vitamin A. Each Your Life capsule contains the equivalent of 25,000 IU of vitamin A, five times the U.S. RDA. The capsules contain no sugar, preservatives or artificial color. The product is available in 100 tablet bottles, with a suggested retail price of $3.99. Dealer margin is approximately 45%.
P. Leiner Nutritional Products, 1845 W. 205th St., P.O. Box 2010, Torrance, Calif. 90510.

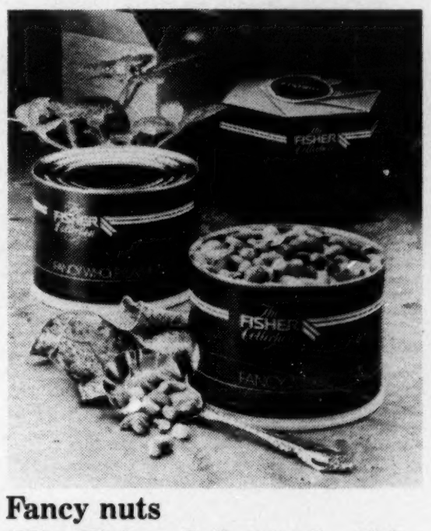
Kills lice

The Purdue Frederick Company is introducing Prioderm Lotion (0.5 Malathion), for the treatment of head lice and their eggs. The product kills on contact and retains activity in many cases for seven days. No CSN toxicity has been reported with Malathion, the active ingredient, to date. A broad promotional campaign has been launched, with nationwide physician office and school healthcare personnel coverage, and extensive convention, journal advertising and direct mail campaigns.
The Purdue Frederick Co., 50 Washington St., Norwalk, Conn. 06586.



Bears with a difference

Care bears will be joining the American Greetings family of licensed character properties in spring 1983, backed by extensive print and broadcast advertising. The bears have 10 family members, and inhabit a place called Care-A-Lot—an environment of clouds and rainbows. The bears represent human emotion, and each bear sports on its tummy a symbol which best explains its mission here. They will make their television debut in May 1983.
American Greetings, American Road, Cleveland, Ohio 44144.



Fancy nuts

"The Fisher Collection" will be available for the holiday season. Three different tins are available: Fancy Mixed Nuts, in a 2 lb. 6-oz. tin, Fancy Whole Cashews, 2-lb. 6-oz., and Mixed Nuts with Peanuts, 2-lb. 10-oz. The tins are packed in hexagonal gift boxes and will serve approximately 40 people. They are packed six to a case with reclose lids. Mailing cartons are also available.
Fisher Nut Co., P.O. Box 43434, St. Paul, Minn. 55164.

Security, cost will dictate OTC packaging decisions

Continued from page 21

to storage costs.

To hold the line on costs, manufacturers often use one or more of the less expensive alternatives, including shrink bands of plastic around the cap and neck or an inner seal over the mouth of a bottle.

Small shrink bands securing the cap to a container are estimated to cost no more than 2¢ per unit for materials, while the price tag for adding another step in the manufacturing process is estimated at 2¢ per unit or less.

Another package supplier said that inner seals cost no more than $2 per 1,000 units for material. The process by which the seals are placed on the bottles can easily be implemented.

Aluminium caps are often used by beverage manufacturers, but a package designer discounted their use by drug manufacturers.

"To produce a better product, the aluminium band should always remain on the bottle after the cap is twisted off," he said.

B.C. pills: Retail prices up, margins diminish to 7.2%

Continued from page 53

Per cent refills for the category also climbed, going from 71% two years ago to 74.5% in 1982. This means women return to get their oral contraceptives more frequently than in years past.

Although no one manufacturer dominates the market, both Ortho (38% share), and Wyeth (32% share) play significant roles in it. Each firm placed four products among the top 10 birth control products sold on prescription through drug stores. Other manufacturers competing in this market include Searle (11%9, Syntex (9%) and Mead Johnson (2%).

The top five products—selected by their market share figures—are: Lo-Ovral-21 with 12.5% of all B.C. scripts, Ortho-Novum 1/50-21 (9.8%), Ovral 21 (9.0%), Lo-Ovral-28 (6.5%) and Ortho-Novum 1/36-28 (6.4%).

Products in the "all other" category—those outside the Top 25 brands—continue to capture less than 10% of the market.

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CHAIN STORE AGE
MERCHANDISER

Sun blocker lotion sales shine—p. 21

DRUG STORE NEWS

Vol. 4 No. 25/Incorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./November 29, 1982

J&J unveils Tylenol repackaging design

NEW YORK—As Johnson & Johnson announced its game plan for the repackaging and promotion of Tylenol brand products, drug chains were warming up for the implementation of Food and Drug Administration regulations on over-the-counter packaging.

Many chain drug execs expressed concern, however, about the fate of product already on the shelves or in the pipeline, as manufacturers rush to introduce new tamper-resistant packaging.

They said that if J&J has unveiled packaging changes for Tylenol, other OTC drug makers cannot be far behind.

Several retail drug execs were also worried about the impact on smaller private-label companies, which are facing the additional costs of machinery, material and extra shifts.

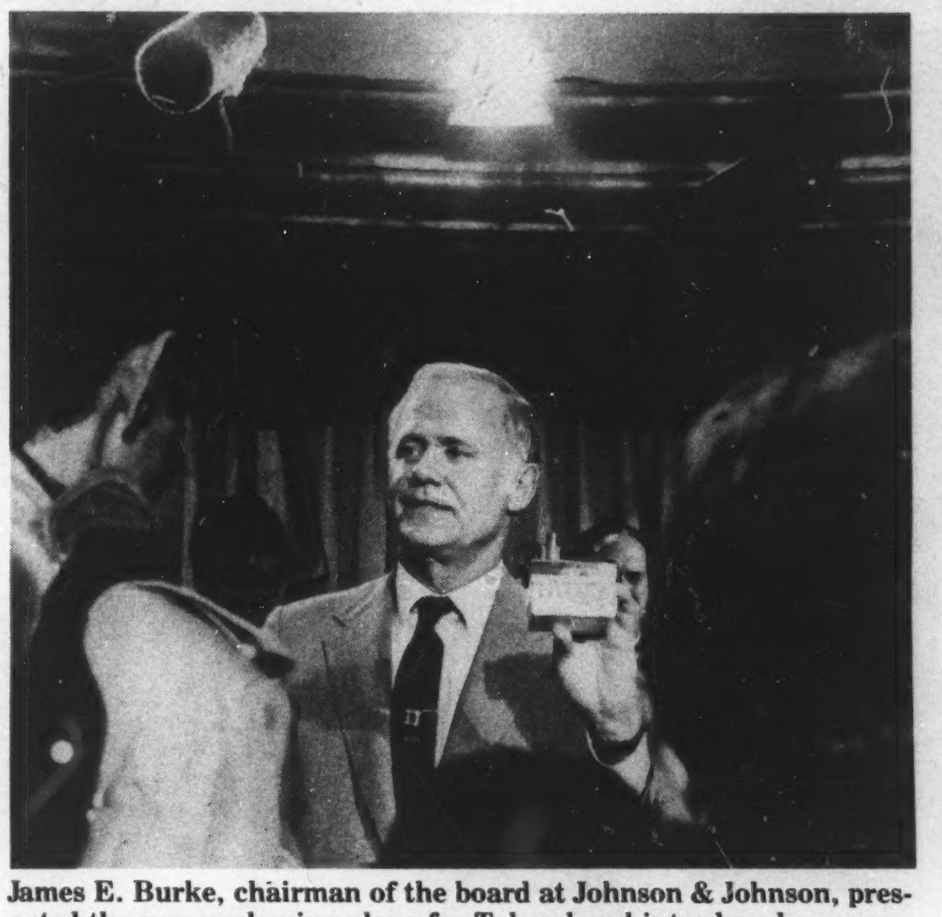
James Burke, chairman of the board at J&J, pledged to "restore Tylenol to its pre-eminent position in the marketplace." The brand had a 46% share of the pre-Chicago analgesic market, but dropped off to about 6.5%. This figure is on its way back up. It was 18% as the repackaging announcement was made on Nov. 11.

Plans to reintroduce Tylenol capsules, which are scheduled for shipment to the trade Nov. 22, include promotion of the new "triple-sealed tamper indicator packaging" and an offer to replace Tylenol products that users may have discarded.

Burke explained that the replacement offer includes a coupon worth $2.50 toward the purchase of a Tylenol product. This coupon appeared in newspapers across the country on Nov. 21 or Nov. 28 and will appear again in December. In addition, 10 million coupons are being distributed to physicians' offices and through a toll-free number, 1-800-232-2222, which consumers can call. A total of 90 million coupons will be distributed throughout the United States.

McNeil representatives began taking orders for the newly packaged Tylenol in mid-November. Regular and extra strength capsules will be

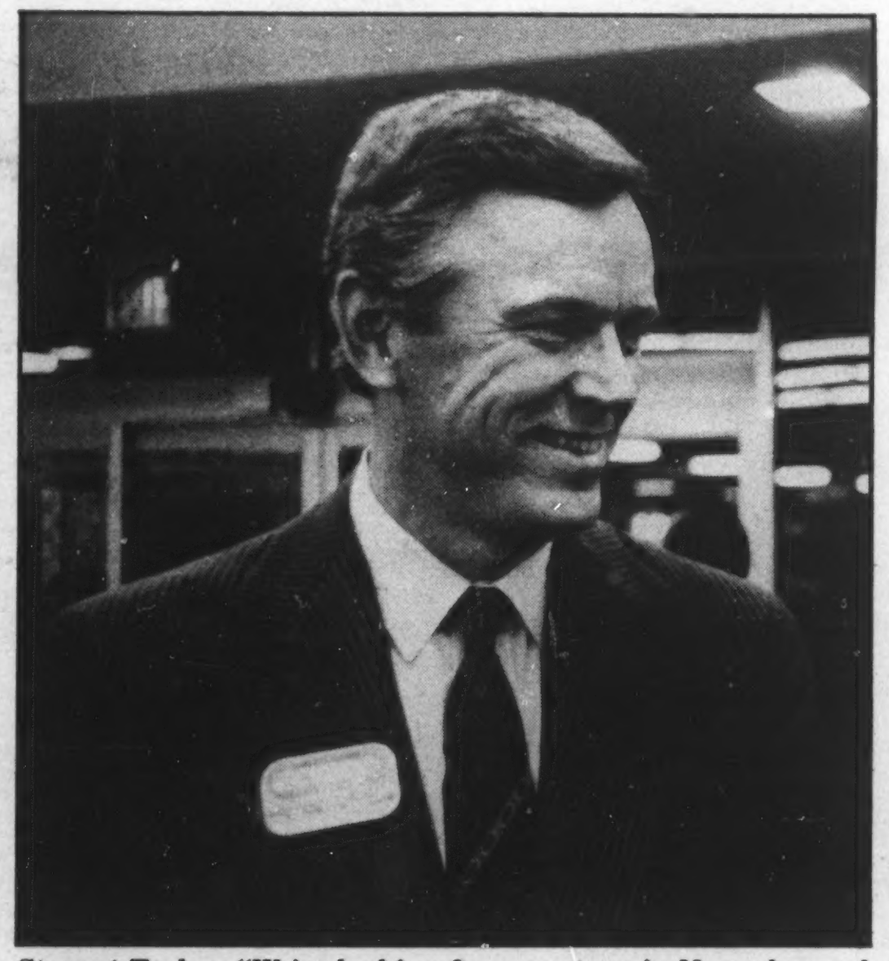
Continued on page 32



James E. Burke, chairman of the board at Johnson & Johnson, presented the new packaging plans for Tylenol and introduced a coupon offer at the video-taped press conference in New York.

Turley, Perfit probe future

Eckerd chiefs reveal POS computer plans



Stewart Turley: "We're looking for an upturn in November and December."

By Bruce Buckley

ST. PETERSBURG, Fla.—Eckerd Drug is developing a sophisticated point-of-sale system that will enable the chain to track individual sku movement in nearly 350 Florida stores by using a projectable sample of just 20 outlets.

That was just one of the items disclosed in wide-ranging interviews with Stewart Turley, chairman and president of the Jack Eckerd Corp., and Burton C. Perfit, president of Eckerd Drug, at the opening of the first Eckerd Med-Care store here. (See separate story, page 3.)

Continued on page 32

Drug chains blast 'unfair' Rx mail-order encroachment

NEW YORK—A mail-order maintenance prescription program launched by a third-party claims processor has riled drug store retailers nationwide, who claim the California-based firm uses confidential patient information to solicit prospective mail-order clients.

PAID Prescriptions Inc., a branch of Computer Services Corporation of El Segundo, Calif., kicked off the mail-order program approximately six months ago, apparently using information retailers had provided on third-party claim forms.

"It doesn't sound fair to me," said the legal counselor for a large Midwest chain, echoing the sentiments of numerous drug store retailers.

The administrator of third-party programs for a large Ohio-based chain was even more blunt: "I expect competition from firms like Peoples, Walgreens and Lane," he said. "But I certainly don't expect it from the companies which process my third-party claim forms."

PAID's mail-order program raises both legal and ethical questions stemming from the loss of confidentiality and breach of fiduciary trust, spokesmen for several major chains said.

According to PAID spokes-

Continued on page 32

No. Calif. competitors nip at Sav-On's heels

By Lou Karney

FRESNO, Calif.—A critical factor in Jewel's decision to open 48,000-sq.-ft. Sav-On food and drug combos in this fast-growing area (halfway between San Francisco and Los Angeles) was the dearth of combo competition.

But even as Sav-On starts building its stores, a disturbing echo is being heard in the San Joaquin Valley—the sound of the hammer-and-saw brigade at Vons Value Centers.

By 1984, Vons will be operating four new 36,000-sq.-ft. Value Centers (75% food, 25% drug) in Fresno as well as one (40,000 sq. ft.) in Visalia, 40 miles south of Fresno.

Vons opened its first unit 4.5 miles south of Fresno. The other units will be eight miles north of downtown Fresno and eight miles northeast of downtown. The two stores in the northeast region will be two miles apart.

Sav-On's first combos in Fresno, a city of 236,700, are near downtown, five miles northeast of downtown, Merced (50 miles north of Fresno) and Porterville (40 miles southeast of Fresno).

How fast the Sav-On express accelerates in northern California will depend not only on how

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LATE NEWS

DESPITE THE IMPACT of high unemployment and continuing consumer uncertainty, the Jack Eckerd Corp. reported sales of $471.9 million for the first quarter of fiscal 1983, a 10.1% increase over the comparable period last year. Addressing shareholders at Eckerd's annual meeting in Tampa, chairman Stewart Turley reiterated the company's disappointment with a 10% drop in net earnings to $70.7 million in fiscal 1982, ended July 31. Following the meeting, Turley told *Drug Store News* that first-quarter fiscal 1983 results reflect a decline in consumer spending witnessed in the last two quarters of fiscal 1982. However, he expressed optimism about the upcoming Christmas season. Eckerd Drug will beef up its promotional activity for the holidays.

Walgreens promotes its own appliances

DEERFIELD, Ill.—In addition to its national brand selection, Walgreens has created its own line of hair care appliances designed to give shoppers alternative price points.

Manufactured in Hong Kong, the new line—called Perfection—consists of five blow dryers, three curling irons and one curling brush. These products are merchandised with other major brands in all Walgreens stores and represent "quality at a reasonable price," according to a representative from the chain. Walgreens feels that although there will always be national brand shoppers, other consumers seek a less expensive, yet good, product, the source added.

With this in mind, a special team set out in January to design and develop a private label line for Walgreens. Special consideration was given to the packaging, the name and quality control.

"We wanted a name that implies what these products really are—quality—and a look in our

Continued on page 31

— News in brief —

Gray Drug Fair acquires 3 new stores

CLEVELAND—Gray Drug Fair has acquired two former SupeRx stores in Ravenna and Zanesville, Ohio, for an undisclosed amount of cash. Both stores contain approximately 10,000 sq. ft. of selling space. Gray Drug Fair has also acquired Your Pharmacy, formerly an independent drug store, in Davies, Fla.

Lehrman, D'Angelo lose election bids

NEW YORK—Republican Lewis Lehrman, former Rite Aid president, pulled more than 2.45 million votes in his quest for the governorship of New York, but lost to Democrat Mario Cuomo.

Cuomo garnered more than 2.6 million votes or 51% of those cast, to Lehrman's 48%. After his defeat, Lehrman said he planned to run again for office, but said he did not know what office he would seek.

In another election, Gregory R. D'Angelo, who owned a drug store on Long Island, lost his bid for a State Assembly seat to Democrat-Liberal Arthur J. Kremer.

D'Angelo, a Republican-Conservative, pulled nearly 11,000 of the 42,000 votes cast.

Rite Aid activates warehouse addition

NITRO, W. Va.—Rite Aid has begun using its new 63,000-sq.-ft. addition to the warehouse near Charleston, W. Va.

The addition brings Rite Aid's total warehousing space to 980,000 sq. ft. The space is divided evenly among the warehouses at Nitro; Shiremanstown, Pa., and Rome, N.Y.

Eli Lilly gets O.K. to market human insulin

WASHINGTON—The Food and Drug Administration gave Eli Lilly the green light to market a new biosynethic human insulin manufactured by gene-splicing technology, as a treatment for diabetes.

Because production of the new insulin product relies on recombinant D.N.A. technology and not on the availability of animal organs, F.D.A. officials predicted that the development of such drugs "would ensure a virtually limitless supply of products."

Federal drug regulators found that the chemical composition of the newly approved drug and its forerunner differed only slightly. In addition, clinical studies showed that the new biosynthetic insulin doesn't have "any therapeutic advantage over the most highly purified insulin of swine origin," F.D.A. added.

Although Eli Lilly told F.D.A. that it "intended to phase the new human insulin into the marketplace gradually," at press-time the manufacturer had yet to set a price or introduction date.

Anon opens Drug Emporium No. 2

DALLAS—Louis Anon opened his second franchised Drug Emporium store in the Dallas area. The 23,600-sq.-ft. store is in the Lakeridge shopping center at Kingsley and Audelia Street in North Dallas. The store features an upgraded cosmetics department.

Ted Canning has been appointed executive manager and Jonathan Frank has been named manager of the store, which opened Nov. 4. The store is open 9 a.m. to 9:30 p.m., Monday through Saturday, and 10 a.m. to 6 p.m. on Sunday.

Anon's first Drug Emporium unit is in Plano.

Kerr to add 8 to 10 new stores

RALEIGH, N.C.—Kerr Drugs plans to add eight to 10 new stores next year, according to Charles M. Maready, executive vp.

Most of the stores will be in new shopping centers that will be built in North Carolina, he said. The stores will continue to follow the chain's prototype of 9,600 sq. ft.

The chain will finish 1982 with 34 drug stores.

Winner of Nostalgia Quiz #13 chosen

Brian Correia of Eckerd Drug is the $100 winner in *Drug Store News'* Nostalgia Quiz #13. The correct answer was Peoples Drug Stores, Sheldon W. Fantle. Nostalgia Quiz #16 can be found on page 20 of this issue.

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SPECIAL FEATURES

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Vol. 4, No. 25 November 29, 1982

Status of MIS specialists enhanced by electronic age

ORLANDO, Fla.—The exploding complexity of computer information is thrusting chain drug information systems directors into the executive suites of the decision-makers.

That was the consensus of management information systems directors and vps attending the National Association of Chain Drug Stores' annual MIS conference here.

Carol Eastin: The whole management of information systems is going to become much more encompassing.

Gary Pradarelli: The MIS-vp is equipped to monitor, report, predict . . . to manage change.

The MIS specialists said they are being drawn increasingly into the roles of advisers to top execs, whose appetite for easy-to-understand computer information relating to operations, merchandising and distribution has grown enormously in recent years.

"People here have been talking about a trend for the MIS director to be renamed the chief information officer who reports directly to the ceo," observed Carol Eastin, vp information services at Osco Drug, Oak Brook, Ill., and chairman of the MIS conference.

"Relatively little work is being done in the accounting arena anymore," she said. "Most of the attention is being paid to merchandising, operations, distribution and pharmacy."

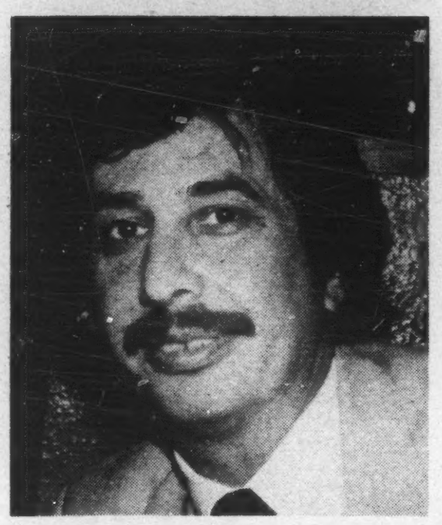
Glen S. Tarsha, corporate vp-MIS at Peoples Drug Stores, Alexandria, Va., agreed that the MIS focus had shifted from financial spread sheets to other areas of the business.

"It used to be that about 70% of MIS was devoted to financial systems," Tarsha said. "Now it's only about 20%. The remaining 80% is concerned with store systems, inventory and distribution systems. Ultimately store systems may be the biggest single user of MIS resources."

Ink spots are gone

Tarsha also agreed that the role of the MIS director had expanded greatly in the past decade. "He's gone from ink spots on the shirt to a very high level within the organization."

At Peoples, he said, the reason for elevating the role of the MIS director has been the importance the chain places on information as an asset to the corporation.



Glen Tarsha: The ceo is not going to learn the data processing business.

Bob Ramsden: Our industry is becoming more sophisticated in the area of managing information.

Tarsha said the change had also led to a different approach to hiring candidates for MIS departments. He said he was looking now for a new breed of recruit who had not necessarily

Continued on page 31

Post-tampering Halloween candy sales go bump on the bottom line

NEW YORK—Halloween candy sales plummeted as much as 50% in chain drug stores across the nation as parents, terrified by horror stories of razor blades and poison inserted into candy, curtailed their youngsters' traditional door-to-door trick-or-treating.

This Halloween could be called a nightmare for many of the largest chains, according to a *Drug Store News* survey.

At Walgreens, for example, sales of bagged candy (normally the largest selling form of Halloween treats) were down 20% from last year.

That percentage was approximately equal to the decline in candy sales in Chicago, where the wave of product tampering was kicked off by the Tylenol tragedy.

However, Chicago sales were not the worst in the nation. In nearby Michigan, Halloween candy sales declined up to 25% at Perry Drugs. "Consumers were apprehensive about buying candy to give out to children so sales were adversely affected," says a spokesman for the chain.

Cross-merchandised children's costumes showed surprising strength considering the dramatic decline in sales of sweets. "Costume sales were about even with last year because many adults held Halloween parties for kids at home, so they still dressed up," the Perry spokesman explains.

According to industry sources, Halloween candy sales in Florida, particularly in Miami and Tampa, fell 50%. It was no treat in Texas either where candy sales in Houston dropped 30% compared to a year ago.

At Page Drugs in Dallas, seasonal candy sales were off considerably in comparison with sales for the same stores a year ago. "There was very little trick or treating because there was so much media coverage telling people to be cautious," says Robert Corn, executive vp and general manager for the chain.

Children's costume sales at Page didn't match Perry's. They were "very rough this year and in some parts of town it was just horrible," says Corn. While kids' costume sales were off about 25%, items for adults were moving. "We did well selling capes to adults, masks and Halloween make-up," Corn says. "There's no doubt about it, we will buy much more cautiously next year," he adds.

Parental fear of tampering was evident from candy sales results at Fay's Drugs in New York.

According to Fay's chairman and ceo, Henry A. Panasci Jr., "We got stuck on candy, but not on costumes. The only reason we had to mark down the candy was because we had so much of it left over—in excess of 25%," says Panasci. "In the past, we have always sold out on Halloween candy. This is the first year we have had any carryover," he adds.

Costumes thrive

However, other seasonal items such as costumes, masks, pumpkins and novelty items were a complete sell through at Fay's. "Licensed costumes were superb, like E. T. and Smurf," says Panasci.

Under Fay's format, excess Halloween candy is now the promotional item being used to draw customers into the store. "If it wasn't candy, it might be paper towels, so this works out well for us," says Panasci.

Fortunately for this retailer, only 10% of its candy mix was seasonal (corn candy, orange and black jelly beans and peanut butter kisses in orange and

Continued on page 32

Fay's to join N.Y. stock exchange

LIVERPOOL, N.Y.—Fay's Drug will join a number of other major American drug store chains on the New York Stock Exchange early next month.

Barring any negative and unforeseen circumstances, the 90-store chain's application for membership in the N.Y.S.E. should be approved sometime next month, Fay's chairman and ceo Henry Panasci said.

"We're following our directors' decision to do this, basically because of the increased visibility it will provide our company," Panasci said.

Fay's Drug first went public in 1969, and traded on the OTC market until 1975, when it joined the American Stock Exchange. The company's stock, on Nov. 11, closed at 19⅜.

PHARMACY

McNeil leads analgesics for Oct.

ARLINGTON, Tex.—Retail margins on analgesics dipped nearly six percentage points since October 1980, while the market leader, McNeil, registered the only margin increase in the updated figures.

July 1982 figures for the top 25 prescription analgesic products, as well as the entire market, were released recently by the marketing research firm, Decision Data.

The average price of analgesic prescriptions rose 16% to $8.53 while the average price in the top 25 group jumped 18% to $8.66. McNeil's Tylenol with Codeine 60mg declined in script price, but this was probably due to the simultaneous drop in the average quantity of Tylenol dispensed. On a per unit basis, the price did increase slightly.

McNeil, representing a 35.4% share of the retail prescription analgesic market, introduced Zomax since the last Decision Data survey was compiled. Consequently, market share points for many of the top products have suffered share point declines.

This, however, was not true of newer products: Zomax captured more than 8% of the analgesic market in its young life of retail competition. And Anaprox grabbed a 2% share.

Products gaining market share points in the July 1982 survey included McNeil's Tylenol with Codeine 30mg, 60mg and Tylox Caps; Lilly's Darvocet-N 100mg and Darvon Compound 65 Pulvules; Wyeth's Wygesic, and Fiorinal tablets by Sandoz.

The remaining 13 products in the top 25 experienced a decline in market share. Most notable was the drop by generics such as A.P.C. with Codeine 30mg, propoxyphene compound-65 and acetaminophen with codeine 30mg. These losses were further reflected in the gains by their respective brand name counterparts such as Darvon Compound-65 and Tylenol with Codeine 30mg.

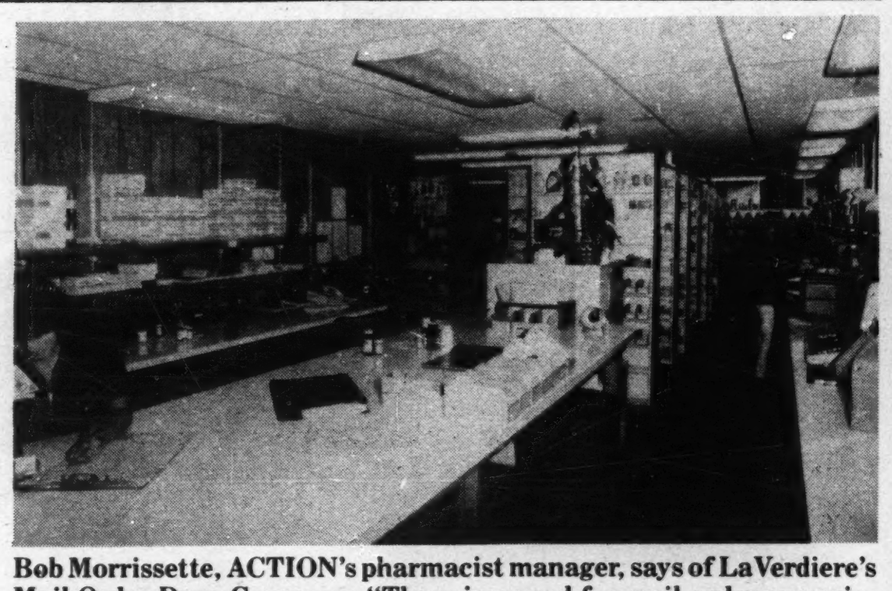
The two newest items, Anaprox by Syntex and Zomax by McNeil, registered the lowest retail per cent margins, 28 and 31 respectively.

Analgesic market trends, July 1982

Drug description	Manufacturer	% Retail market share 7/82	% Retail market share 10/80	Average $ price 7/82	Average $ price 10/80	% Retail margin 7/82	% Retail margin 10/80
Tylenol w/Cod. 30mg	McNeil	20.03	17.92	5.86	6.04	57	56
Darvocet-N 100mg	Lilly	12.72	11.06	10.23	8.20	35	41
Zomax	McNeil	8.34	N/A	12.57	N/A	31	N/A
Empirin Cpd w/Cod. 30mg	B-W	5.29	7.26	6.07	5.96	55	57
Percodan Tabs	Endo	4.63	5.55	9.01	7.88	44	49
Acetaminophen w/Cod. 30mg	Generic*	3.60	4.39	5.26	5.34	56	58
Tylenol w/Cod. 60mg	McNeil	3.35	2.71	10.74	11.08	40	37
Fiorinal Tabs	Sandoz	3.27	3.34	8.24	6.61	42	48
Talwin Tabs 50mg	Winthrop	2.99	2.88	14.61	10.40	37	38
Darvon Cpd-65 Pulv	Lilly	2.80	3.94	8.69	6.92	43	46
Fiorinal w/Cod. #3	Sandoz	2.58	2.50	10.31	8.88	39	44
Synalgos DC Caps	Ives	2.51	4.55	7.95	6.99	50	51
Phenaphen w/Cod. #3	Robins	2.48	3.09	6.09	5.66	58	61
Anaprox	Syntex	1.75	N/A	14.57	N/A	28	N/A
Equagesic Tabs	Wyeth	1.66	2.25	10.46	9.56	37	38
Fiorinal Caps	Sandoz	1.61	1.75	7.66	6.77	47	51
Percocet-5 Tabs	Endo	1.52	0.95	10.44	8.49	37	44
Wygesic Tabs	Wyeth	1.45	1.32	8.68	7.37	42	48
Tylox Caps	McNeil	1.41	1.31	8.37	7.12	45	53
Tylenol w/Cod. 15mg	McNeil	1.25	1.44	5.48	5.36	60	62
Empirin Cpd w/Cod. 60mg	B-W	1.13	1.51	11.84	11.29	35	35
Tylenol w/Cod. liq.	McNeil	1.02	N/A	7.72	N/A	47	N/A
Propoxyphene Cpd-65	Generic*	0.85	1.20	5.88	4.84	58	63
A.P.C. w/Cod. 30mg	Generic*	0.84	4.54	7.30	6.63	49	54
Darvon-65 Pulv	Lilly	0.80	1.07	8.49	7.56	44	46
Top 25		89.9	88.1	8.66	7.12	42	49
Other		10.1	11.9	7.39	7.37	46	45
Total		100.0	100.0	8.53	7.15	43	48

*These include all prescriptions dispensed with other than nationally promoted brands. All margins are based on AWP prices.

Source: Decision Data



Bob Morrissette, ACTION's pharmacist manager, says of LaVerdiere's Mail Order Drug Company: "There is a need for mail-order prescriptions because there are a lot of rural towns in the area that aren't being serviced by drug stores."

Mail order script sales keep coming at LaVerdiere's

WINSLOW, Me.—One pharmacist + eight aides + a pharmacy constructed in a corner of a distribution center + a mail order service = several hundred scripts a day.

That's LaVerdiere's formula for the success of its ACTION Mail Order Drug Co.

Started in 1976 at the same time the 51-store chain introduced its ACTION private-label brand OTCs, the operation has quadrupled its physical size in three separate expansions.

Today, such attractive features as low prices, free postage (up to 3 lb.), no membership fees, same day service and a catalog featuring H&BA and vitamins continue to expand the operation's mail order as well as walk-in business.

The only charge added to the price of a mail order script is a 25¢ fee (not a per script charge) to cover the cost of a package.

Bob Morrissette, R.Ph., ACTION's pharmacist manager, explained how the service can afford these features: "ACTION accepts no third-party scripts of any kind. The policy for payment in our pharmacy is cash, 30-day charge and Visa and Mastercard only."

Policy result

The result of this strict policy is a fluid cash flow which allows the company to offer prices lower than most mail order prescription companies and, Morrissette hopes, below any other drug store. Being located in LaVerdiere's central distribution center also eliminates the usual shipping costs for items sent to store pharmacies as well as the need to carry large inventories.

To stimulate even greater growth, ACTION began running 30-second television ads in April this year. The spots featured low, low prices and speedy prescription turnaround.

"This campaign improved our daily script volume by 30%," explained Morrissette.

The TV spots, which run during slow months or in conjunction with printed material distribution, announce the toll-free number in Maine for physicians and patients. This number can be used for ordering anything by mail.

"Recently we sent out our first four-page mailer featuring ACTION brand H&BA items at regular LaVerdiere's prices and the private-label vitamins at ACTION's cut prices," said Morrissette.

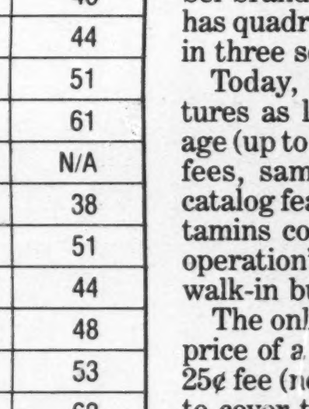
The packet

An ACTION packet, sent to all new customers and available in LaVerdiere's stores that do not have pharmacy departments, includes miscellaneous literature introducing Rx customers to the service. A business card, envelopes for send-

Continued on page 12

Drug maker's dilemma: doctor's wrath vs. OTC sales

Joseph Caputo, RPh
Pharmaceutical Editor



What do you do if you are a drug manufacturer caught between consumer groups that want more prescription products converted to over-the-counter status, but everytime a switch is made the result is fewer patient visits to your prime customers—doctors?

Pharmaceutical marketers face just such a situation throughout the United States as they seek approval from the Food and Drug Administration to transfer more drugs from prescription to OTC availability.

Marketing research surveys have proven that more units are sold, but at lower consumer prices, following OTC conversion.

Pharmaceutical companies recognize that OTC status and revised labeling may tempt consumers to self-medicate. So the firms have developed a communication strategy aimed at minimizing consumer risks. The strategy should also reduce physicians' concerns over declining office visits.

The companies' solutions to this apparent dilemma hinge on direct communication between manufacturer and patient.

Indeed, drug manufacturers are communicating directly with consumers more and more about a variety of subjects. There are advertising and public relations campaigns on such topics as PMIs (patient medication inserts distributed by physicians but underwritten by manufacturers), booklets about selected chronic pathological conditions (such as hypertension, diabetes and asthma) and cable television/radio spots on the dangers of self-diagnosis. And I'm told this is only the beginning.

Manufacturers recognize the issues and the problems that could result if physicians were to become angered over OTC conversions. For one thing, doctors could always stop writing scripts for a marketer's prescription products.

To minimize this possible adverse reaction, each of the programs mentioned above stresses the importance of the physician as the star player on the health care team. As more and more products go from prescription to OTC status, these programs warn consumers not to self-diagnose. Instead, consumer audiences are told to ask their physician—and at times their pharmacist—for health-related advice.

In my opinion, the goals of these programs are excellent, but the programs could be further improved. For example, ad copywriters should be advised that pharmacists represent additional sources of information for consumers.

After all, pharmacists have been dispensing products that are now OTC as prescription drugs for a long time. By tagging commercials, "consult your physician or pharmacist," the third party affected by OTC conversions—pharmacists—would benefit.

CHAIN STORE AGE
MERCHANDISER

Shoppers pick medium-price sunglasses

Drug store sales of moderately priced sunglasses are relatively strong at a time when sunglass industry dollar and unit sales are falling.

Gray Drug Fair's Bonnie Garrett reports her chain's sales "are better than last year," while Longs Drugs' Bill Combs says customers have shown no resistance to buying medium-priced sunglasses.

After five years of steady dollar sales increases, 1982 sunglass sales are expected to decline 5% to 10% after a record $870 million in sales last year. Industry experts also forecast as much as a 5% drop after two years in which 86 million pairs were sold each year. In 1980, a record 91 million pairs were purchased retail.

But the bright note for drug retailers is that shoppers aren't hesitating to buy sunglasses priced in the $8 to $10 range, the kind most frequently sold in drug stores. According to one estimate, 42% of the sunglasses sold in drug stores are in the $8 to $9.50 range.

At Gray Drug Fair, buyer Garrett estimates her average sale for a pair of sunglasses was about $8.

Garrett says Gray Drug Fair sales were helped by good sunny weather in recent months and a frequent promotion program offering $2-off coupons. "We promoted sunglasses about five times during the summer."

She says selected styles sell well in both of the brands the chain stocks. "Gradient lens sunglasses were the best sellers and styles with photochromic lenses improved in sales this year." A greater percentage of her customers prefer metal frames than plastic ones, she adds.

Medium-priced sunglass sales in drug stores continue to increase despite sluggish industrywide volume in 1982.

Medium-priced sunglasses proved to be the most appealing to consumers in the South also. At Crown Drugs in Advance, N.C., sunglasses under $10 were the fastest movers. "We carried designer sunglasses from a major supplier that were priced in the $16 to $18 range, and they did only fair because they are overpriced for today's economy," says Ruben Johnson, vp for the chain.

Agreeing is Kerr Drugs' Bill Baxley, vp of marketing, who thinks drug stores can do well with sunglasses as long as they are priced under $12. He says a customer rarely selects a pair for more than $12 and estimates the average price paid by a Kerr customer at between $9 and $10 a pair.

At Sentry Drugs, buyer Sally Hayes says her average price is between $8 and $9. At this Detroit area chain, Hayes was able to sell through her summer inventory because of her "extremely conservative buying" this year. She estimates she reduced her stock level 15% in 1982 anticipating little recovery of Michigan's poor economy. "I may have been a little short on merchandise this year," she concedes, "so I'll increase next year's orders a bit." But she still won't buy the same amount as she did in 1981. "I want to come out clean for the fall," she adds.

Low inventory blamed

Sunglass manufacturers say one reason industry sales are off is because of low retail inventory levels. They point out that since sunglass purchases are a high impulse item, customers don't buy when there is little selection from a half-full rack. "If a rack is three-fourths full, customers will say to themselves that there is a lot of good stuff left so they'll buy a pair. But if the display is half full, they think the best pairs have been sold," a spokesman from a major supplier points out.

Other producers cite poor industry sales due to the economy and the fact

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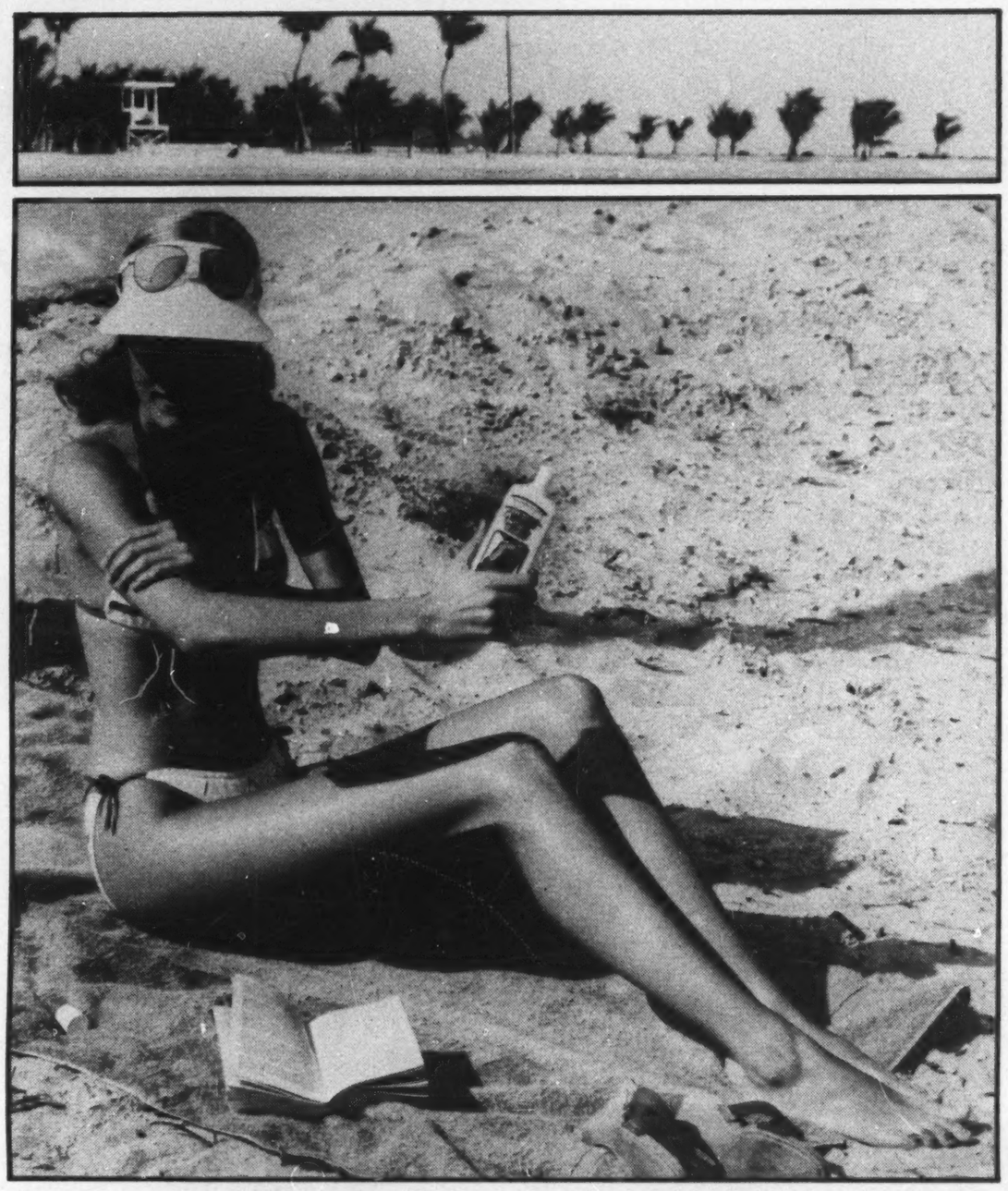
Sun blocker lotion sales shine



Drug store buyers say sales of sunscreen lotions are rapidly growing as Americans of all ages are becoming aware of the fact that the ill effects of overexposure to the sun are cumulative.

Skin types and how they burn

Skin type	Sunburn prognosis	Examples	Recommended Sun Protective Factor
I	Always burns, never tans	Irish, Scots, redheads	10 or more
III	Sometimes burns, always tans	Darker Caucasians	8-10
V	Rarely burns, tans well	Spanish, Asians, Indians	4

Source: *Drug Store News*

By Clifford Feng

High-level sun blocking lotions are quickly gaining market share and now account for as much as one-third of the suntan/sunscreen lotion market, drug store buyers say.

Increased consumer awareness about the dangers of skin cancer from too much sun worshiping has prompted consumers to shift from suntan creams with little sun block protection to products with moderate to high level sun protective factors. This past summer, retailers noted a surge in sales of sunscreens with a sun protective factor (SPF) of 8 to 15.

At Gray Drug Fair, merchandise manager Jerry Biarsky says one of the chain's best three skin care products was a sunscreen with an SPF 10 rating.

"We've noticed a trend of people buying more sunscreens because there has been so much media about skin cancer and how to prevent it with a sunscreen with a high SPF number," he observes. He estimates sunscreens account for about one third of category sales at Gray.

"We had excellent sales of sunscreens with an SPF 8 to 15," says Biarsky. "Our sales of low-level blockers with an SPF 4 were not nearly as strong since these products have about the same amount of sunblocking ability as a regular suntan lotion."

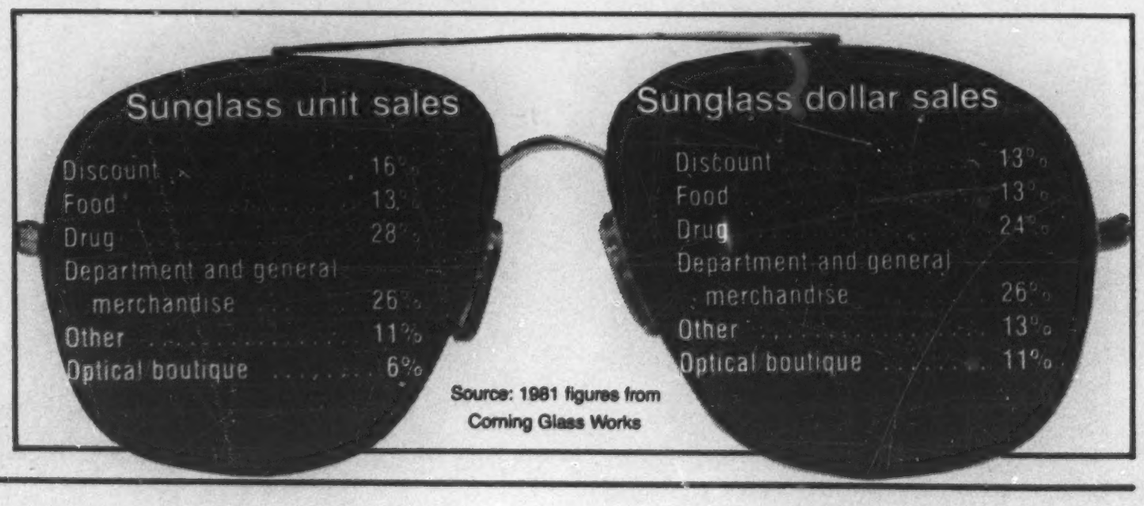
He adds, "It seems when people make the decision to protect themselves they buy a product that is more effective."

This past summer Gray drug stores devoted between 4 ft. and 8 ft. to the suntan/sunscreen category. In contrast, Drug Fair division stores allocated about 16 ft. to 24 ft. to the department.

At Kerr Drugs in North Carolina, buyer John Kerr reports his chain's customers specifically ask for products with a high SPF number. "A lot of customers are coming to our pharmacies with a specific brand of sunscreen with an SPF of 15 that their dermatologist recommended," says Kerr.

While sales this year were still heavily skewed to suntan lotions and oils, Kerr says the dominance these products once had is waning. "Sunscreens accounted for about 25% of our sales in 1981, but this last year they grew in percentage of sales," says Kerr.

Continued on page 27



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CHAIN STORE AGE
MERCHANDISER

Retail sunglass sales (in millions)		
1977	$690	Average price per pair $7.27
1978	$770	Average price per pair $8.11
1979	$804	Average price per pair $8.84
1980	$828	Average price per pair $9.63
1981	$870	Average price per pair $10.12
1982	$800-$844*	

*Drug Store News estimate
Source: Corning Glass Works

Moderate-priced sunglass sales help cover unit drop

Continued from page 21

that consumers have fewer disposable dollars.

One chain that reported exceptional sunglass sales is Lewis Drugs in Sioux Falls, S.D., where category sales were up 20% over last year. During the summer, large Lewis stores carry five spinner racks of sunglasses.

"Our sales increased because we advertised and promoted them a lot more," says Doug Bablitch, sr. vp. He says the chain got good response to $3-off coupons. "The bulk of our sales were in the $8 to $12 range. People don't want to spend $15 to $20 on sunglasses nowadays," Bablitch observes.

Healthy local economy

At Kerr Drugs, Baxley says sunglass sales were up 5% to 10% over the previous year and the chain had a good sell through. He believes the healthy Raleigh economy, with thousands of state employees and a high number of university students, helped fend off a sales slump. But during the summer, he promoted sunglasses at half price to stimulate sales.

In the Midwest, Medicare-Glaser's David Massey reports good sales because of three major promotions which accounted for about 40% of the category's sales. This retailer also began its first sale in March, three weeks earlier than usual. The St. Louis area chain got excellent consumer response to a 50% off introductory sale in the spring. "We ran out of our initial inventory in three weeks," says Massey.

In addition to the March promotion, Massey ran a special on mirrored lenses in May and a Father's Day sale of men's sunglasses with photochromic lenses.

He planned a July promotion, but inventory was too low to sustain one so he cancelled it, he notes.

Results were not nearly as good for another Midwestern retailer. At Karad Drugs in Chicago, sunglass sales were off 15% to 20% compared to the year before. A spokesman says early rainy weather that lasted throught May and June was the main reason for the slump.

Fast-selling styles in men's sunglasses at Karad included metal frame glasses, expecially aviator styles. Since many of the Karad units are located in office complexes, fashion conscious female shoppers preferred plastic framed sunglasses with gradient lenses.

The chain also carried a limited assortment of designer sunglasses from a major supplier on its cosmetics counter. "We ordered a minimum amount and they sold out, but I still think they are too expensive for the drug store shopper," says the spokesman.

Sun block lotion sales shine

Continued from page 21

According to the sales projection of one manufacturer, sunscreens will account for about 40% of the market within two years. This same source forecasts that these products will account for half of the category's sales within five years.

This sunscreen growth rate may be on target as more and more Americans learn that sun exposure has a cumulative effect. The effects of repeated exposure to the sun over many years may not become apparent until a person is middle-aged.

According to the Skin Cancer Foundation in New York, which awards acceptance seals to sunscreens that conform to its sunblocking standards, one in four Americans will contract some form of skin cancer in their lifetime. The foundation estimates during the next decade some five million Americans will learn they have skin cancer and some 50,000 people will die from it.

At the same time, skin cancer is one of the most treatable forms of cancer.

Drug stores have the greatest distribution share of suntan and sunscreen products, according to suppliers, or about half the category's sales. Food stores have about 20% of the volume, mass merchants about 15% and other outlets, such as hotel gift shops, have about a 15% share.

At Kerr stores, a 4-ft. section is allocated to suntan lotions and sun blockers. This permanent display is supplemented in the summer with at least three secondary floor stands. Kerr positions its Suntan Center near the cosmetics department.

"We keep our department up all year round because we get winter sales from college students who go south. They prefer to buy it here rather than at a resort because it costs less," says John Kerr.

The chain's Jacksonville, N.C., store does a booming business in sunscreen products because of its proximity to a major Marine base, he says. "These soldiers are training all day long in the sun.

Kerr likes the fact that this category is easy to cross merchandise with other skin care products. "In our Suntan Center we put in hair depilatories, lip balm, baby oil and sunglasses along side suntan and sunscreen lotions," he says.

At Crown Drugs, Ruben Johnson, vp, says he does a good job selling baby oil during the summer. "During the last two or three years baby oil sales have climbed quite a bit," says Johnson. "People are using oil to keep their skin moist during suntanning and as an after tanning treatment."

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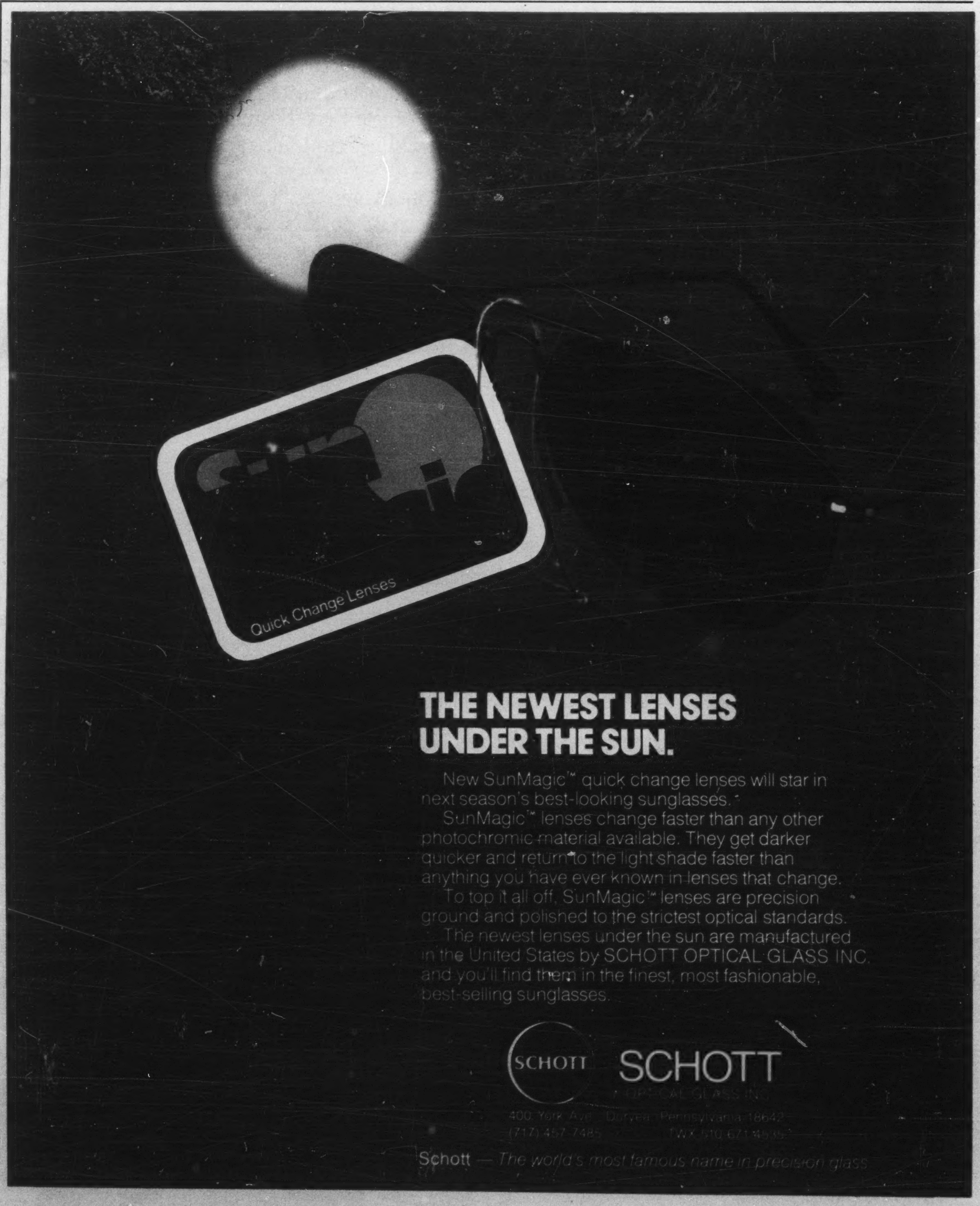
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DRUG STORE NEWS

Vol. 4 No. 26/Incorporating **CHAIN STORE AGE Drug Magazine** Published by Lebhar-Friedman Inc./December 13, 1982

Shopper, profit demands conflict
Chain retailers caught in inventory crossfire

See consumer study on page 25

NEW YORK—Chain drug retailers say the results of *Drug Store News*' 2nd Annual Consumer Survey coupled with the need to minimize inventory investment place them on a thin tightrope.

On one hand, the survey reveals that a rising number of consumers are looking for drug stores that are well stocked and carry a large selection. At the same time, the need to squeeze more profit dollars out of lower-inventory investment has forced chains to trim the breadth and depth of their product assortments.

Successful chains have already learned that an adequate merchandise mix is an essential ingredient in their delicate balancing act.

A Walgreens consumer survey, for example, agreed with

Continued on page 58

Deep discount drug stores primed for 5-yr. growth spurt

By Faye Brookman

NEW YORK—While deep discount stores had their birth in the 1950's, it was in 1982 that the concept became firmly rooted in the drug store retailing marketplace. In fact, low-margin stores now generate about $450 million annually, or roughly 1.6% of total 1982 estimated chain drug sales.

Currently there are about 75 major off-price units, and growth is expected to accelerate in the next five years, sources report, to as many as 200 stores by 1987. At that time, expansion may reach a plateau as markets become saturated. Existing deep discounters will grab an even larger slice of annual retail drug sales, with an average unit reaching $8 to $10 million per year or $1.6 billion to $2 billion (based on 1982 dollars) in total volume per year.

Until now, deep discount stores have thrived by attracting shoppers desiring keen prices on mostly planned purchases. Thus, the main draw has been from supermarkets.

In fact, Rock Bottom on Long Island, N.Y., has an advertising pitch aimed at supermarket shoppers rather than chain drug stores. However, as pharmacy business grows and as the concept becomes more familiar, chain drug stores stand to lose some market share to low-margin units. Fear of this was evident this year when a few chains converted to a low-margin format or slashed prices to meet a nearby deep discount store.

This year was a year when many more retailers plunged into the deep discount waters, propelled, in many cases, by the limping economy. For example:

• Fisher Foods, cash-rich from the sale of a food division, diversified into the drug business with a low-margin drug store called Jax. Under the direction of Fred Barney, former president of Gray Drug, there is now a second Jax and plans for 12 more.

• Gray Drug Fair reacted to Jax by introducing its own form of discount drug operation with gross margins of 17% to 20%;

• F&M, the granddaddy of the low-margin business, added to its base of stores with the opening of its eighth unit in a new market, Indianapolis. This shrewd chain is well known in the industry for being successful at running this type of business in a chain format. F&M has also been successful in branching out of its home state; besides opening in Indiana, F&M has a unit in Toledo.

• Drug Emporium, Phil Wil-

Continued on page 58

Fay's set for 10-yr. expansion

By Allen Mundth

NEW YORK—Fay's Drug Co. has unveiled details of an ambitious 10-year growth plan that would more than double the upstate New York chain's store count and increase annual sales volume to $1 billion by 1992.

Addressing New York security analysts here last month, Fay's chairman Henry Panasci Jr., said the 10-year blueprint calls for:

• "Internally generated" growth to 220 stores producing annual sales volume of $1 billion;

• Average annual compounded sales growth of 16%, achieved by a 10% increase in stores each year, resulting in a 6% to 7% increase in sales;

• Gross profit margins averaging 25% and expenses equaling 20% of revenues, resulting in a 5% pretax profit margin or $50 million in pretax profits on projected 1992 sales of $1 billion.

Continued on page 58

SupeRx adopts prototype for Fla. combos

NAPLES, Fla.—After two years of testing, SupeRx Drug has selected a newly opened 26,500-sq.-ft. unit here as the prototype for its rapidly growing Florida chain of SuperX food and drug super combination stores.

The new 24-hour combo is SupeRx's fifth in Florida and the second to be located on the Sunshine State's fast-growing Gulf Coast. The Kroger Food

Additional pictures on page 2

subsidiary, which operates 500 drug stores including 109 in Florida, expects to open up to a dozen more of the food and drug combos by 1984.

C. L. "Skip" Morris, regional vp of SuperX food and drug operation, describes the store as a series of small shops under a common roof.

In addition to traditional drug store and supermarket mer-

Continued on page 58

Traditional drug store merchandise accounts for about 30% of the square footage in SuperX's new prototype food/drug combo. The remainder of the space is devoted to food.

LATE NEWS

CLOSING UNPROFITABLE STORES and holding the line on expenses has boosted net income 63.4% at American Stores for the quarter ended Oct. 30. Third-quarter net earnings for the Salt Lake City-based food and drug retailer jumped to $15.7 million, or $1.32 per share, from $9.6 million, or 69¢, for the equivalent quarter last year. Sales for the same period increased 3% to $1.82 billion from $1.76 billion. For the three quarters ended Oct. 30, net income was $52.5 million on $5.53 billion in sales, up from $32.9 million in net income on $5.21 billion in sales for the first three quarters last year. Since the beginning of the year, American Stores has closed 57 stores, the bulk of them Acme supermarkets in the East, according to Richard L. Shanaman, executive vp.

Sav-On to test checkout scanner

ANAHEIM, Calif.—Sav-On will become the first drug chain to develop and finance its own checkout scanning system, when it begins to test grocery-type equipment in one of its Anaheim stores next May.

The equipment (I.B.M.) will arrive at Sav-On headquarters the first of January and will be tested at chain headquarters in February and March, before being installed in the store. The test store, which has seven checkstands, is 1½ miles from Sav-On headquarters.

Until now, the major objections to scanners in drug stores have been twofold: Only 50% of the inventory is UPC-coded, and ther is inadequate space for the UPC bar code on small-sized items.

Studies by Sav-On indicated that although only 50% of drug store items are UPC source-coded, they account for 70% of the merchandise going through the checkstands. For the remaining 50% of the merchandise, Sav-On will use its own price stickers and a three-digit category code. Sav-On will also use the three-digit code for items under 2 in. wide.

The three-digit code will be keyed into the register, not read by the scanner.

Although scanners are now being tested in five drug chains in Marion, Ind., and Pittsfield, Mass. (Revco, Hook, CVS, Peoples and Adams), these installations were developed and financed by a Chicago-based market research firm, which is using the information to develop product movement studies for its commercial clients. Movement reports are also being made available.

Airline ticket promotions to lift camera sales

By Clifford Feng

NEW YORK—Will drug chains benefit from a tag team square-off between the nation's largest instant camera manufacturers and two of the largest air carriers between the North and the Sunbelt?

Most drug chain camera buyers are betting the answer is yes.

They anticipate that airline ticket promotions being offered by Kodak and Polaroid will boost sales of instant cameras.

Under the promos, a purchaser of one of several selected instant camera models will receive a coupon entitling him to a free airline ticket after paying for one ticket at full price.

"We expect to sell out this year," predicted Bob Breslin, camera buyer at Genovese Drug Stores. "I think enough people are flying today that when they consider the cost of the instant camera, they will get behind it and buy one."

Gray Drug Fair's photo merchandise manager, Randy Schulkers, agreed. "I think both programs have the potential of being dynamic promotions."

Polaroid's offer is to purchasers of its 600 series of cameras and is being held in conjunction with Delta Air Lines. Kodak's promotion, tied in with Eastern Airlines, is available to customers who buy its Kodamatic 960, 970L and 980L instant cameras; Kodamatic Champ camera and 2-packs of Kodamatic film, or four or more packs of Kodak instant film in a single purchase.

Genovese Drug, which sells both Polaroid and Kodak instant cameras, is featuring the products and promo offers in four circular ads that started at the end of November. Breslin said he would not be surprised if "many people buy the camera as a Christmas gift, but keep the coupons for themselves."

Gray Drug Fair's Schulkers said the promotions will generate excitement in the category because consumers are accustomed to taking advantage of other free flight offers. "I experienced the popularity of Eastern's free flight coupons," he said.

Walgreens is also participating in both programs, but a spokesman for the Deerfield, Ill.-based chain said it was too early to estimate consumer reaction.

At Perry Drug, which ran a November ad announcing the Polaroid offer, buyer Pat Teeley said, "It will definitely help sales, but the question is to what degree." She said instant camera sales have been soft for two years, and wondered whether hard-pressed Michigan consumers could afford a camera, much less buy the initial airline ticket.

Ribordy Drug featured the Polaroid promotion in a Nov. 28 ad and the Kodak offer on Dec. 12. "It should help the instant camera category because it seems all the money being spent on cameras is being used to buy Kodak's Disc," observed buyer Marc Paul.

To qualify consumers must purchase one of the Polaroid cameras before Jan. 31, 1983. The deadline set by Kodak is Jan. 7, 1983.

News in brief

Walgreens plans 80 new stores for '83

DEERFIELD, Ill.—Walgreens, on an expansion track after opening 71 stores in 1982, plans to keep up this pace in fiscal 1983. Plans call for an addition of 80 new stores for the chain, which broke the $2 billion mark in 1982. The company's recently published annual report also noted that Walgreens will remodel 60 existing units and will be "aggressively pursuing quality acquisitions as well."

At fiscal year end, Walgreens operated 883 drug stores, 157 in-store restaurant units and 69 separately located restaurants.

Longs earnings drop 19% in 3rd qtr.

WALNUT CREEK, Calif.—Longs Drug Stores reported that pressures on gross margins from customer selectivity was a major factor in a 19% drop in net earnings for the third quarter ended Oct. 28. Sales for the period rose 11.5% to $272.2 million from $244.1 million last year.

Net income for the quarter declined to $6.3 million, or 60¢ per share, from $7.5 million, or 71¢ per share, last year. Last year's earnings, however, included an after-tax gain of $786,000, or 7¢ per share, from the sale of land.

For the nine months, sales increased to $799.9 million from $721.5 million. Net earnings dipped to $21.1 million, or $2 per share, from $21.6 million, or $2.04 per share, but last year's figures included a net gain of $1.3 million, or 12¢ per share, from the land sale.

Reye Syndrome warning labels on hold

WASHINGTON—The National Association of Chain Drug Stores and the National Wholesale Druggists' Association both withdrew support for the controversial new voluntary Reye Syndrome warning labels for aspirin products.

Both associations said their support was "premature" after the American Academy of Pediatrics reversed its earlier statements about the link between salicylate-containing OTC drugs and Reye Syndrome in children, saying "the evidence is not nearly clear enough."

Meanwhile, Health and Human Services Secretary Richard Schweiker indicated that his department plans to re-examine its position regarding the need for mandatory labels.

NACDS to distribute Rx school grants

ALEXANDRIA, Va.—The NACDS will distribute $15,220 in research grants among pharmacy schools at the University of Texas at Austin, Ohio State University and the Philadelphia College of Pharmacy and Science.

Robert J. Bolger, NACDS president, said, "NACDS has long advocated an increased emphasis on pharmacy administration within pharmacy schools. It is our hope that the NACDS grant program will stimulate faculty interest in research in the area of pharmacy management and administration."

Winner of Nostalgia Quiz # 14 chosen

Barry Boudreaux of K&B Drugs is the $100 winner in *Drug Store News'* Nostalgia Quiz # 14. The correct answer was oranges, eggs and milk. Nostalgia Quiz # 17 can be found on page 57 of this issue.

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Vol. 4, No. 26 December 13, 1982

Year-end, final-quarter profits show increase for Peoples chain

ALEXANDRIA, Va.—Tighter expense controls and increased market penetration were credited for sizable gains in year-end and fourth quarter net income reported by Peoples Drug Stores.

The 563-store chain reported net income for the fiscal year ended Sept. 25 rose 13% to $10.5 million, or $2.09 per share, compared to $9.3 million, or $1.91 per share, in fiscal 1981. Sales for fiscal 1982 increased 9% to $688.4 million compared with $634.3 million last year.

For the fourth quarter, net income increased 17% to $2.9 million, or 57¢ per share, compared to $2.5 million, or 50¢ per share, in the same period last year. Per share figures are adjusted to reflect a 5-for-4 stock split announced Oct. 6.

Sales for the fourth quarter rose 14% to $162.8 million compared to $143.2 million in the prior year period.

Peoples Drug president and ceo Sheldon Fantle told *Drug Store News* that bigger market shares and effective cost control measures, as well as unusually heavy prescription volume during the month of September, contributed to the favorable year.

"I think a key factor in our performance has been the fact that we are getting a bigger and bigger share of market in those areas where we operate," he said. A more aggressive chain-wide promotion in the last month of the fourth quarter also helped fourth quarter sales and earnings outpace last year.

Fantle said prescription volume in Peoples stores remained steady during that past year, but dollar volume increased 2% due to strong price inflation on many Rx products. "Our unit count was flat, but the dollars actually increased due to inflation," he said.

SupeRx chooses combo model

A full-service pharmacy in the left front corner serves as the anchor of the drug store portion of the new store.

The new SuperX prototype, small by traditional food/drug combo standards, contains a broad mix designed to meet almost every customer's taste, as evidenced by this natural foods center.

An expanded "cheese shoppe" is among several "mini-stores" within SuperX's food/drug combo prototype. Others include floral, bakery, deli, seafood, meat and wine.

CHAIN STORE AGE
MERCHANDISER

2ND ANNUAL CONSUMER STUDY
DRUGS
49% TRAVEL LESS THAN A MILE TO THEIR FAVORITE DRUG STORE
$
SPEND $15.50 EACH SHOPPING TRIP
58% ARE IMPULSE BUYERS
1 9 8 2
DRUG STORE CONSUMERS SHOP 3.3 TIMES A MONTH
DRUGS
64% SHOP IN CHAIN DRUG STORES
GENERIC
17% ARE UNAWARE OF GENERIC DRUGS

Selection ranks higher with '82 shopper

By Bruce Buckley

A large, well-stocked merchandise assortment is much more important to consumers today than it was a year ago.

That's one loud message that shoppers delivered to drug retailers via *Drug Store News'* 2nd annual consumer survey.

Where only 15% of consumers surveyed in 1981 listed "large selection/well stocked" as a reason for shopping their favorite drug store, this year the percentage has jumped to 24%. The changing consumer perception comes at a time when many drug chains have been putting greater emphasis on tight inventories at the risk of more out-of-stock conditions.

This year's telephone survey of drug store shoppers (a nationally projectable sample) has been expanded to include more consumers (500) plus a greater number of questions. For the first time, *Drug Store News* has been able to draw comparisons among shoppers who purchase various categories in drug stores, supermarkets and discount outlets.

In addition to variety and depth of shelf merchandise, other areas in which this year's consumers held markedly different attitudes included speed and efficiency at the checkout counter (less important this year); familiarity with the owner, manager or pharmacist (more important), and good sales and bargains (less important). Reasonable, everyday prices, however, continued to be one of the key reasons for choosing a favorite drug store.

The survey also showed that 1982's hard-pressed drug store shopper is much more conservative. Forty-two per cent of the respondents said they never make an impulse purchase. Last year, the figure was only 14%.

This year for the first time the study measured the percentage of impulse purchases made by the average shopper. It turned out to be 17%. Not surprisingly newspapers/magazines and candy/gum were the leading impulse items.

The study also found that a surprising 17% of consumers are not aware of the availability of generic scripts. Of those who are aware, only about a third said they had substituted a generic drug for one that carries a brand name.

The profile of 1982's drug store shopper, apart from what was noted above, was not a great deal different from the one that emerged last year. For example:

- The average consumer made between three and four shopping trips monthly to drug stores this year (3.3) and in 1981 (3.7).
- In 1982 the average drug store transaction was $15.50. Of this amount, $9.70 was spent on prescriptions. Last year the average drug store expenditure was $14. The amount spent on prescriptions was not measured.
- This year as in 1982 the most important reason for choosing a particular drug store was convenience. (About half of the shoppers surveyed travel less than a mile to their favorite store.)

Second Annual Consumer Study

Buying on impulse slows as economy tightens

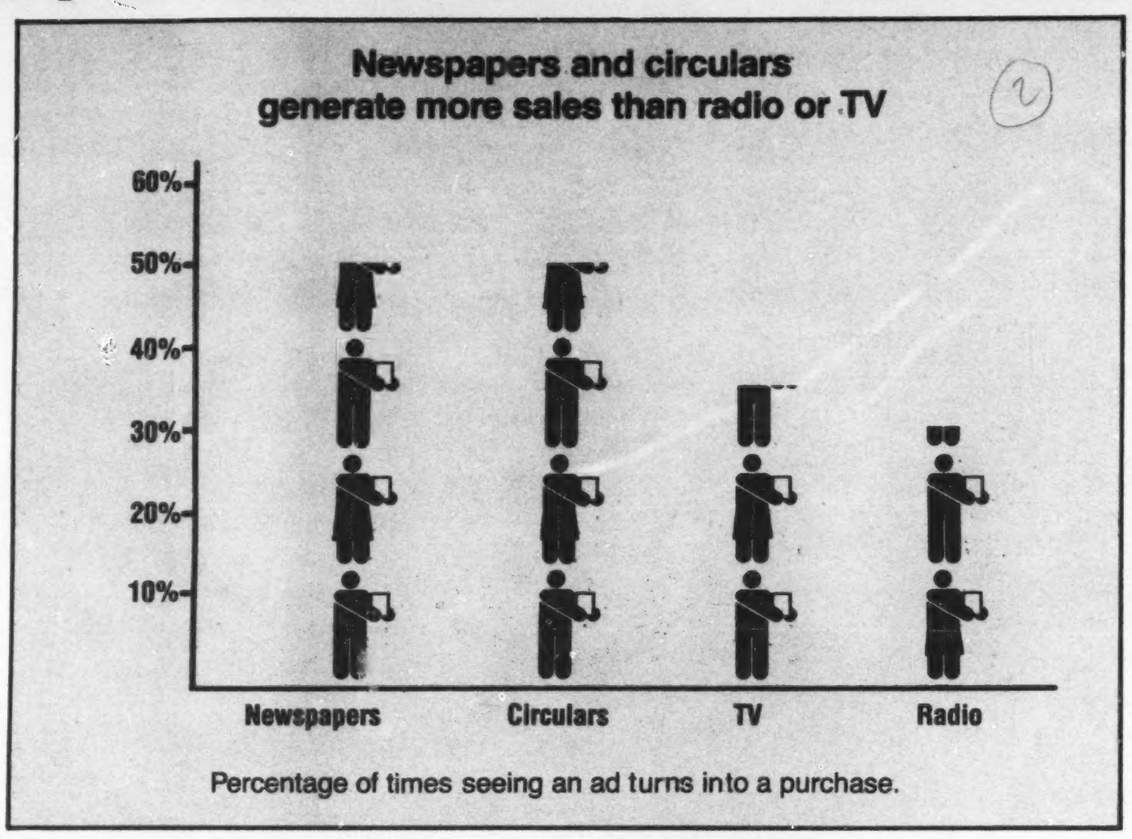
Drug store consumers are generally more conservative this year than they were a year ago, despite the fact that they are spending slightly more on each shopping trip.

This is one of the patterns that emerged from *Drug Store News*' 2nd Annual Consumer Survey. The nationwide survey of 500 heads of household who regularly shop drug stores was conducted for *Drug Store News* by Lebhar-Friedman Research.

According to the study, the typical drug store shopper is much less likely to buy on impulse this year. In 1981, 14% of the drug store customers who were surveyed said they never make impulse purchases, while 25% said they always do. This year, with the faltering economy having an impact on consumers in general, 42% said they never make an impulse purchase while shopping a drug store and only 11% said they always do.

Not surprisingly, the study showed that impulse shoppers tend to be young and single, to shop more frequently and to spend more on each shopping trip than average. On the other hand, the typical nonimpulsive shopper is likely to be an older man from a rural setting who shops fewer times each month at one or two stores and spends little on each trip. The study showed that impulse purchases make up about 17% of the average purchases of an impulse shopper.

Items purchased on impulse with the greatest frequency were magazines/newspapers (3%) and candy/gum (3%). Categories mentioned most frequently were hair products (4%), cosmetic products (4%) and over-the-counter medication (4%).



As expected, prescriptions were mentioned most frequently by consumers (47%) as planned purchases on their last drug store shopping trip. Prescriptions were followed by health and beauty aids (35%), OTC medications (18%), oral hygiene products (12%) and skin care products (12%). Specific items cited most frequently as purchases that shoppers planned to buy were "prescriptions/medication/medicine/drugs" (43%), "toothpaste/toothbrush" (10%), "shampoo" (7%) and "deodorant" (5%).

The average drug store transaction has risen only slightly in the past year, according to the study, and much of the increase can be attributed to higher prices. In 1981, the average drug store consumer spent $14 on his or her most recent shopping trip. This year the amount was $15.50. The amount spent on prescriptions was $9.70. Last year this expenditure was not measured.

The study indicated that the biggest spenders among drug store shoppers are those who shop frequently, are impulse buyers or have a family member on a maintenance drug program. Frequent shoppers (five or more times a month) spent the most, $20.50 on their last shopping trip, while consumers with a family on a maintenance program spent an average of $18.79.

According to the survey, consumers shopped in approximately three different drug stores in the past six months, just about the same number as last year. Store loyalty was highest among consumers who never purchase on impulse.

The average number of drug store shopping trips was between three and four, again approximately the same as in 1981. In an average month, the typical consumer shops at supermarkets almost twice as often as at a drug store and more than two times as often as at a discount store.

The heaviest drug store shopping is done by shoppers who always pick up an item on impulse.

Approximately 2 out of 3 consumers said they shop drug stores about the same number of times a month as they did last year.

What are the factors that consumers consider important when choosing a particular drug store to shop? Not surprisingly, quality of merchandise and trust in pharmacists were given the highest ranking (extremely/very important) by more than 4 out of every 5 consumers. That assessment squares with last year's survey, when consumers ranked product quality and trust in pharmacist as No. 1 and No. 2 in importance.

At least 7 out of 10 consumers gave the highest ranking to the following factors when determining which drug store to shop: convenience (79%), merchandise always in stock (79%), reasonable everyday prices (79%), store environment and general cleanliness (77%), handling of returns/customer service (74%) and ability to find what you need easily (71%).

Less crucial but still important to consumers were the following factors: fast and efficient checkout (68%), good sale prices (66%), sale merchandise always in stock (62%), neatness of displayed merchandise (57%), wide variety of brands available (55%) and sales assistance (55%).

Less than 2 out of 5 consumers ranked the following factors as extremely/very important: frequency of advertised specials (39%) and availability of generic drugs in the pharmacy (38%).

At a different point in the survey consumers were asked the name of the drug store they shop most often and the reasons why they did. Not surprisingly the top drug chains received the greatest number of mentions. In addition, chain drug stores were named by approximately 2 out of every 3 respondents, about the same as last year. The reasons given most often for choosing a particular store were convenience (63%), and good prices/economical (24%) and large selection/well-stocked (24%).

For the first two, the percentage of consumers was approximately the same as last year. But large selection/well-stocked rose significantly this year in consumers' estimation. This change comes at a time when drug retailers are walking a tightrope between tight inventories and in-stock positions.

Other reasons given included the following: friendly/helpful salespeople/pharmacist (17%), good service/good hours, charge account (12%), familiarity with owner, manager, pharmacist (15%), clean/neat/comfortable store (9%) and good sales/bargains/specials (6%).

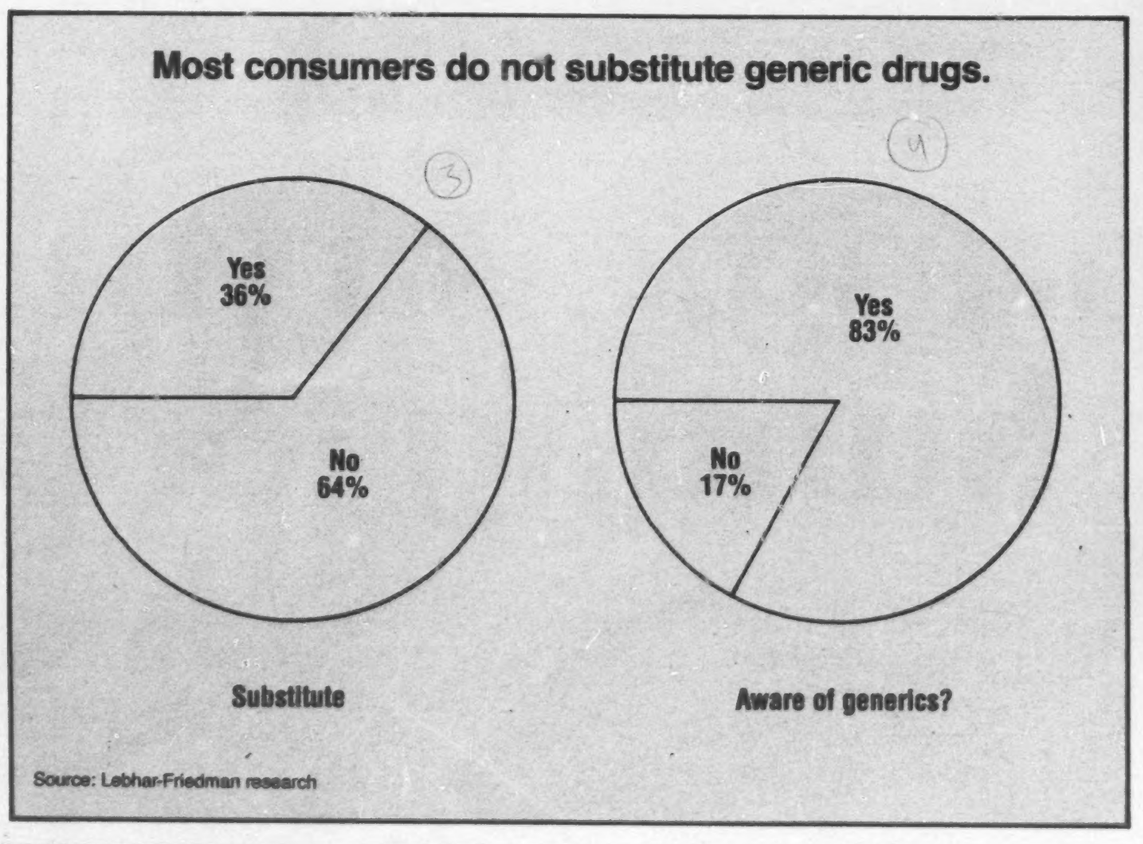
The study also showed that most

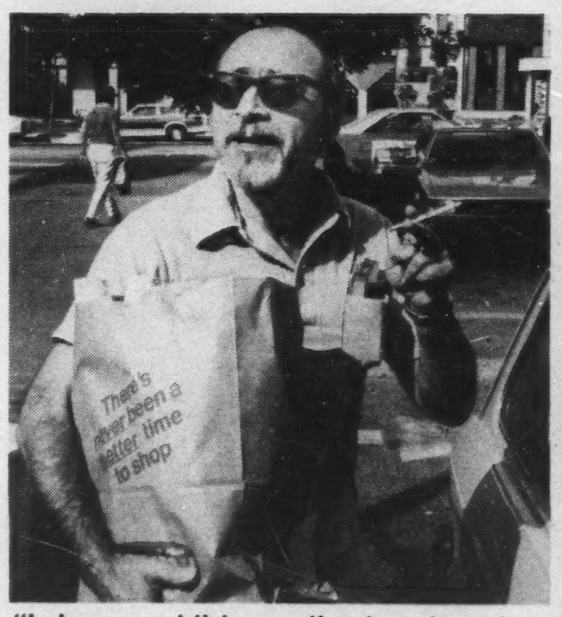
Continued on page 34

"I only like to shop once a month. I chose my drug store because of its proximity to the supermarket, and because it has a good selection at good prices. I'm on a fixed income and I only buy what I need, which isn't much, so I don't pay much attention to local ads."

"This store is only a mile from school and my house. So if I shop here, I need to make only one trip. I like the selection, and the good prices, except for film. I love to shop and I'm a compulsive buyer. Naturally, I look for good buys in newspapers, but I can't be bothered for 20¢."

"I've shopped at this store for eight years because the location is convenient. The service is personalized—they know me here. The most important thing to me is courtesy."





"I shopped this particular store because they have light bulbs on sale. I bought a garden hose at another store but I found one here for a lower price so I'm taking the other one back."

Second Annual Consumer Study

Sports medicine emerges as winning category

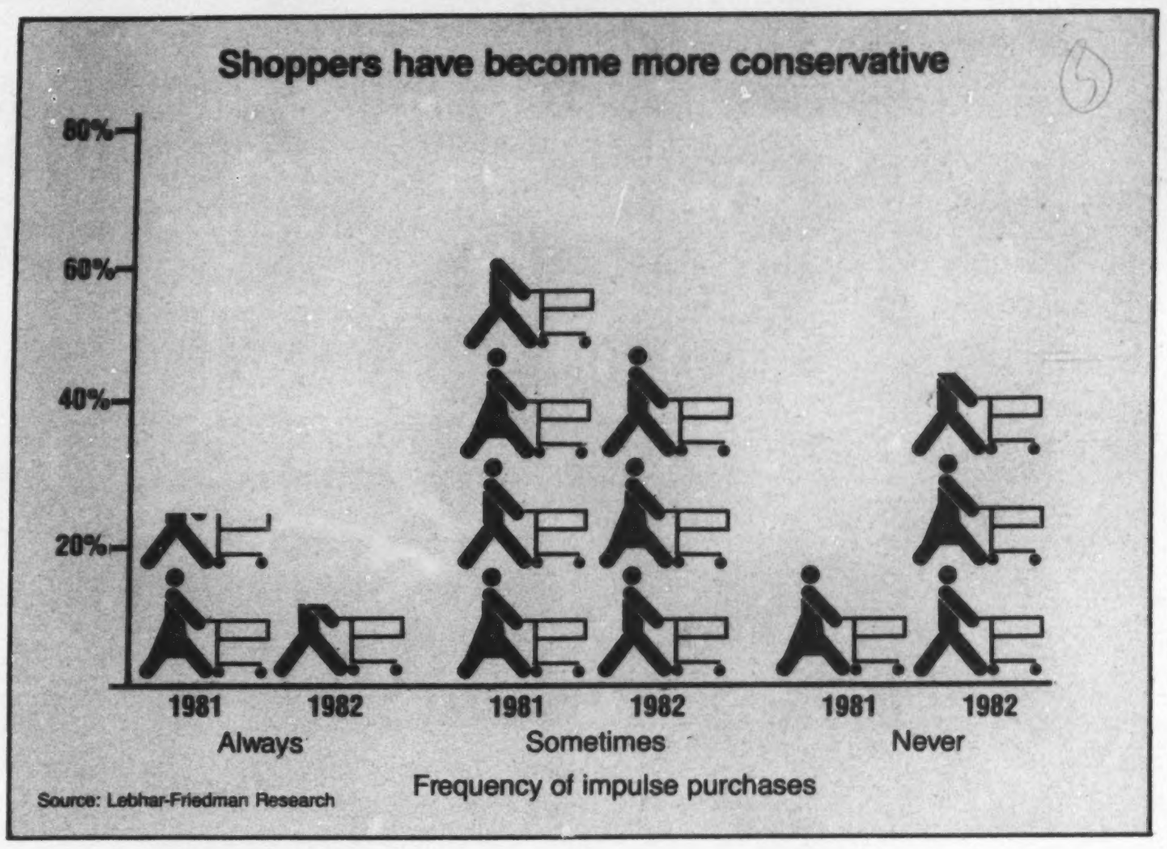
Continued from page 31

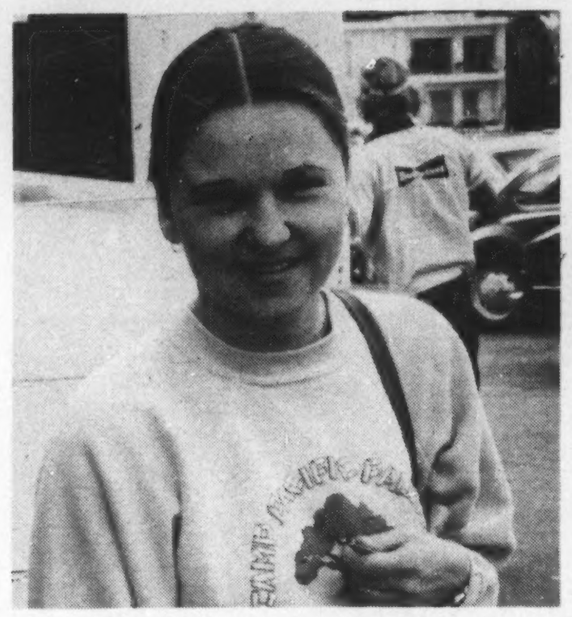
shoppers (63%) have nothing that they particularly dislike about their regular drug store. This percentage is approximately the same as last year.

The dislikes that drew the most mentions by consumers were slow service/long lines, which were cited by 8% of the respondents and high or variable prices, also cited by 8%.

Last year, high or variable prices were mentioned by 6% of the consumers and slow service/long lines by less than 1%.

A turnabout in consumer perceptions was also discerned in the number of mentions given to "pharmacist/salespeople not helpful/friendly." In 1981, 7% of the consumers cited this factor as a dislike about their regular store. This year the figure has dropped to 2%, perhaps the result of the difficult economic climate.





"I shop at this store because they accept my health care plan for prescriptions. The store just recently began that service so I will have my prescriptions filled here in the future."

When consumers were read a list of 24 product categories and asked where they had made their last purchase in each, drug stores naturally dominated the prescription and OTC medication classifications. Ninety per cent of the respondents said they had last purchased a script in a drug store and 77% said their last purchase of an OTC drug was made in the same outlet. Those results varied little from last year.

Not surprisingly, a new category, sports medicine, scored well in the drug store column this year. Mentioned by 71% of the consumers as having last been purchased in a drug store, the category was third on the list behind scripts and OTCs.

Another new category in this year's questionnaire, convalescent aids, also did very well for drug stores. Thirty-two per cent of the consumers said their last purchase of what was called "hospital type items" like wheelchairs, walkers, canes, etc., had been made in a drug store. That placed the category 13th on the list. But if only those consumers who said that they buy or use such items is taken as the base, then 72% made their last purchase in a drug store and the category zooms to No. 4 on the list.

Other categories garnering 50% or more were vitamins (63%) and film and flash cubes (50%).

In addition to the categories mentioned above, drug stores were the favored outlets for the following: toiletries, cosmetics and natural cosmetics, books or magazines, stationery, sunglasses and film processing.

Supermarkets dominated in three categories—tobacco, candy/gum, and paper products—and discount stores in six—automotive accessories, radios/TVs/stereos/tape recorders, housewares, hair dryers/curling irons, toys and cameras. In the last category, drug stores came in a surprisingly strong third behind discount stores and department stores.

In another part of the survey consumers were asked to recall the items that they had purchased on their last trip to a drug store. Leading the list of super categories were prescriptions, health and beauty aids and OTC medications. On the regular category list the highest number of mentions were garnered by hair care, skin care, oral hygiene and pain relievers. Individual items cited most often were toothpaste/toothbrush, shampoo, deodorants and generic aspirins.

Speaking of generics, a surprising 17% of the sample said they were not even aware of the availability of generic substitutes for prescription drugs. Of those who said they were aware, only 36% said they had ever substituted a generic for a branded product.

Virtually all of the respondents said their regular drug stores carry nationally advertised products, while about two-thirds said their regular store sells generic or store-brand products. They also said that an average of 75% of their orders is devoted to national brand products. Among the smaller sample of consumers who indicated that their stores carry private label or generic products, 20% and 11%, respectively, of their orders are devoted to these products.

Shoppers who regularly shop a chain drug store generally have a higher percentage of their orders devoted to store brands than those who regularly shop independents, according to the study. The reverse is true for generic brands.

Consumers were asked whether they ever purchased drug store type items in any outlet other than a drug store. Thirty-five per cent said they did not. Of the remaining consumers, 46% said they had shopped for drug store items in a discount store, 35% mentioned food and drug combos and 29% supermarkets.

The overriding reason given for buying prescriptions in an outlet other than a drug store was convenience. Other reasons were that prices were less or that the consumer just happened to be there at the time.

The most effective forms of advertising for drug stores are newspapers and circulars, according to the survey. Each newspaper ad and circular generates a sale about half of the time. Television-advertised items, in contrast, generate approximately 1.4 sales for every four exposures and radio generates 1.2 sales.

Where consumers made their last purchase in 24 categories

	(Numbers in percentage points)					
	Drug store	Dept. store	General merchandise	Supermarket	Discount	Hardware store
Toiletries	40	6	2	29	16	—
Cosmetics	41	12	2	5	13	—
Prescriptions	90	*	*	1	2	—
Over-the-counter-medication	77	1	1	7	7	—
Tobacco	16	*	*	20	5	—
Candy/gum	27	2	1	43	9	1
Automotive Accessories	7	8	8	2	18	6
Radio/TVs/stereos/taperecorders	4	18	13	*	19	2
Hospital type items	32	1	1	1	2	*
Books or magazines	34	4	2	17	9	*
Hardware	7	7	4	2	12	49
Housewares	9	22	9	7	29	6
Jewelry	7	21	8	*	8	—
Hair dryers/curling irons	16	18	9	1	26	1
Film and flash cubes	50	4	3	4	14	*
Cameras	13	15	7	*	17	*
Sports medicine	71	2	*	6	8	—
Natural cosmetics	39	7	1	3	10	—
Stationery	34	8	4	8	18	*
Toys	10	19	9	*	26	—
Vitamins	63	2	*	6	6	—
Sunglasses	37	11	2	1	12	*
Paper products	23	4	2	42	16	—
Film processing	45	3	2	3	8	*

*Less than .5%

Source: Lebhar-Friedman research

"I try to get the best quality for my dollar. If a store has a nice selection of a quality merchandise, I'll try it. I'm a smart shopper, I buy a Penny Saver and make a list of the sale items I want to buy. I know it sounds weird, but it really pays off."

"I like to shop here because it's convenient. With me, price is No. 1, but I like the quality of brand names. I clip coupons because I have a limited budget, and I almost never shop on impulse—I have to watch the amount I spend."

Second Annual Consumer Study

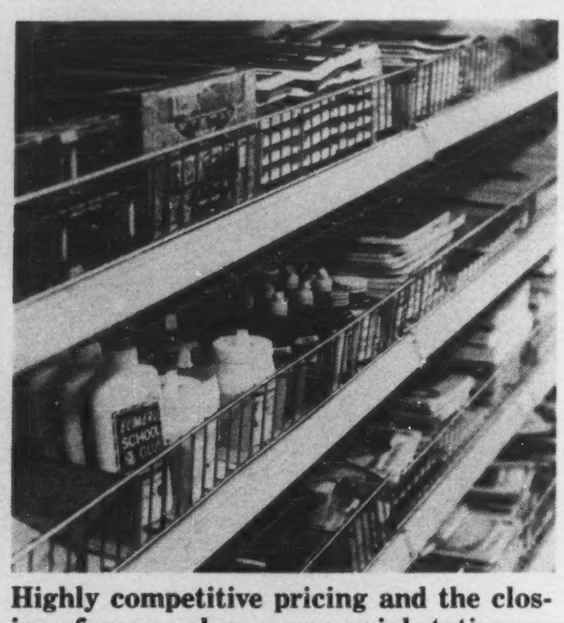
Well-stocked shelves sway stationery shoppers

The drug store stationery consumer tends to be young, can be swayed to buy on impulse and is buying more writing products than in the past.

Almost half of the respondents of the *Drug Store News* consumer poll said they always buy stationery in drug stores on impulse. And more than a third of those polled across the nation said they sometimes buy it on impulse.

This clearly indicates the need for retailers to stock a cross section of school products, boxed stationery, home/office supplies and writing instruments to attract the eye of the impulse shopper.

Almost half of those polled (44.2%) said they are buying more stationery products than in the past in drug stores. This is the result of highly competitive pricing by drug retailers during the back-to-school season and the expansion and development of home/office sections in drug stores. In recent years, increasing numbers of people who have offices in homes and even small business or professional offices are turning to drug stores to buy accounting paper, adding machine paper and filing systems.



Highly competitive pricing and the closing of many urban commercial stationery outlets has made drug stores the No. 1 choice for stationery purchasers, many of whom buy on impulse.

Of course, part of the reason for the development of home/office sections in drug stores has been the closing of hundreds of commercial stationery outlets. These operations, traditionally located in downtown locations and that rely on surrounding office trade, have been forced to close because of rapidly escalating rents.

Younger people are slightly greater purchasers of stationery. Almost 37% of those polled who buy stationery in a drug store were under 30 years old. An almost equal percentage of those polled were between 30 and 49 years old.

The drug store, over all other retailers, was the most frequently mentioned place of purchase for stationery supplies. More than one-third of the respondents (34.1%) said they made their last stationery purchase in a drug store. The second most frequent place of purchase was the discount store, according to 20% of those questioned.

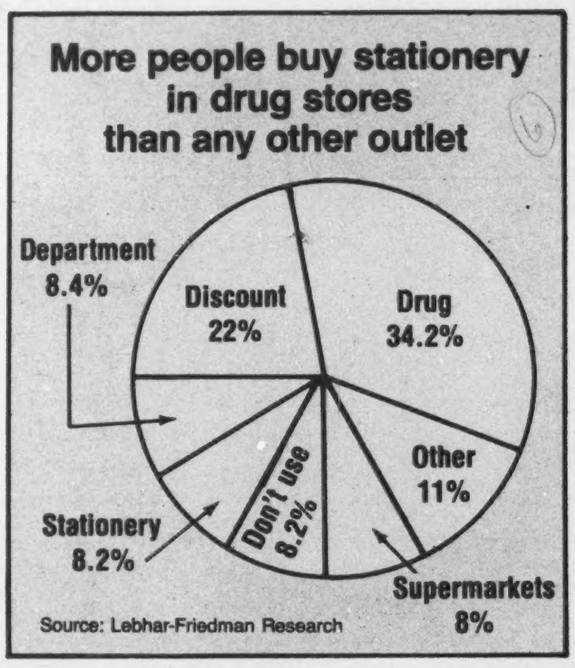
According to the survey, the highest percentage of people who buy stationery in a drug store buy it in a suburban setting. Some 40% of the respondents who live in the suburbs said drug stores were their most recent place to buy stationery.

And by geographic region, 41% of those polled in Western States said they bought stationery in a drug store. In contrast, only 23.5% of those in the New England area said they bought stationery in a drug store.

Young (under 30) suburbanites are the slightly largest category of stationery purchasers in drug stores.

The current stationery mix appeals to and fulfills the needs of a broad-cross section of the population. The drug store was listed as the most recent place of purchase of stationery by the greatest percentage of respondents regardless of income.

Of drug store shoppers earning under $15,000 a year in family income, 32.3% said they made their most recent stationery purchase in drug stores. At the high end, those earning $25,000 a year or more, 38.9% said they made their most recent stationery purchase in a drug store.



Impulse purchases ignite drug store cigarette sales

The typical drug store tobacco consumer tends to have a higher family income, is under 30 years old and buys on impulse, according to *Drug Store News'* 2nd Annual Consumer Study.

In contrast, supermarket tobacco buyers tend to fall in the middle and older end of the age spectrum and are much less likely to buy impulsively.

In addition, the drug store tobacco purchaser is more likely to be male than female, where in supermarkets the proportion is more or less even, but with a slight edge for females.

According to the study, the incidence of impulse buying is disproportionately high among consumers who make their tobacco purchases in drug stores, and disproportionately low among those who buy tobacco products in supermarkets. That stands to reason, given the emphasis on single-pack cigarette sales in drug stores and on carton sales in supermarkets.

The drug store tobacco consumer tends to have a higher family income. The greatest percentage of those who buy tobacco in drug stores have family incomes greater than $25,000 a year. In contrast, the greatest percentage of people who buy tobacco in a supermarket have family incomes between $15,000 and $24,999.

Food stores and drug stores were listed as the two primary places Americans make their tobacco purchases. According to those who use tobacco, 40% made their last purchase in a food store. The drug store is the favorite place of almost a third (31.3%) of those who buy tobacco.

Forty-nine per cent of the 500 survey respondents said they did not smoke cigarettes, cigars, pipes or use chewing tobaccos.

Tobacco users appear to be aware of the competitive pricing offered by the nation's drug chains. According to the survey, almost three times as many people who buy tobacco products in a drug store buy it from a chain store rather than an independent. This compares to the overall 2 to 1 ratio of chain to independent consumers.

Although the survey suggests a higher proportion of drug store tobacco purchases are based on impulse, this may change in the coming months. As the price of cigarettes increases more and more purchases may be planned as consumers try to find the best value.

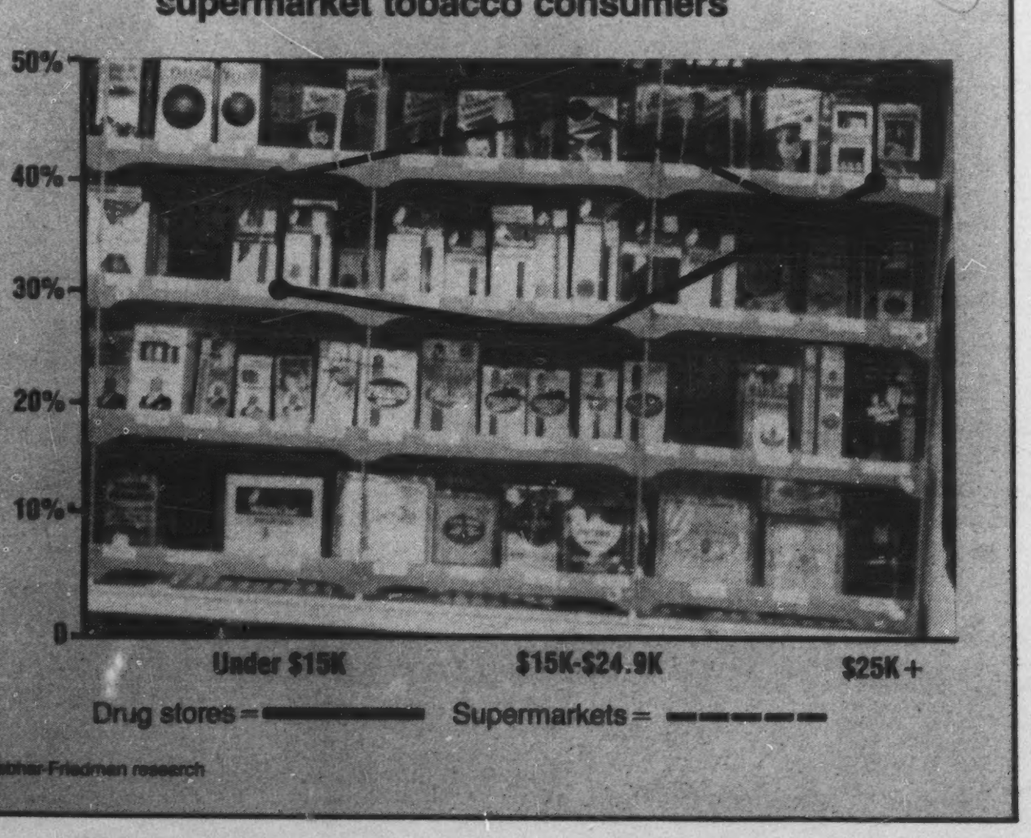
On Jan. 1, the Federal excise tax on a pack of cigarettes will double from 8¢ to 16¢. To avoid a mass defection of smokers, manufacturers have gradually increased prices to make the blow less noticeable to consumers. Despite graduated increases, some industry experts predict cigarette demand will fall between 3% and 5%.

According to the Tobacco Institute, the average price of a pack of cigarettes in October was 81.9¢, up from an average 63¢ in 1981 and 60¢ in 1980.

Some industry sources forecast the average price of a pack of cigarettes will top $1 by mid-1983 because of Federal, state and local tax hikes and other increases from manufacturers and distributors.

Three times as many people who buy tobacco products in a drug store will buy from a chain rather than an independent.

Consumers who buy tobacco in drug stores tend to buy on impulse, because drug stores are geared to single-pack sales.



Second Annual Consumer Study

Drug stores capture 63% of vitamin shoppers

She feels a cold coming on. Going to the medicine cabinet, she discovers that the bottle of vitamin C is nearly empty. What does she do?

Well, being a "typical" vitamin shopper (female, married, a drug store patron, usually buying on impulse, spending more than $15 on a typical visit and shopping three or more times a month), she heads for a chain drug store. (Like many of her "typical" counterparts, distance from home is rarely a deciding factor as to where she shops).

Drug stores currently hold 63% of all vitamin shoppers responding to *Drug Store News'* survey (60% in 1981), while the nearest threat to this market dominance comes from supermarkets (5.8%), discounters (5.8%) and nutritional/health food stores (4.8%). Supermarket shoppers tend to be middle aged (30-49 years) and high earners (over $25K), while discount stores tend to attract middle-income, male vitamin users.

Drug stores have already captured the bulk of the middle-aged population (46%), but would do well to consider discount merchandising for the male consumer who seems to prefer discount stores.

Nutritional/health food stores account for a mere 4.8% of the entire sample preference, but the customers who choose these stores tend to be in the over-$25K income bracket 2 to 1 over those earning less.

The study also shows that the middle-aged group provides the bulk of drug store vitamin buyers (143 compared to 74 in the under-30 group and 95 in the over-50's). But the proportion of vitamin buyers who choose drug stores in which to make their vitamin purchases is about equal (70+%) in each of the three age groups.

Interestingly, the largest percentage of consumers who say they never buy or use vitamins can be found in the 50-plus age group. Twenty-four per cent of this age category say they don't buy or use vitamins compared to 6.3% in the under-30 group and 7.6% in the 30-49 group.

Vitamin shoppers are also choosing drug stores more often than in the past. Twenty-three per cent said their shopping habits bring them to drug stores more often now than in previous years, compared to 17% who said they are shopping drug stores less often. Most vitamin buyers (57%) say they are shopping with the same frequency.

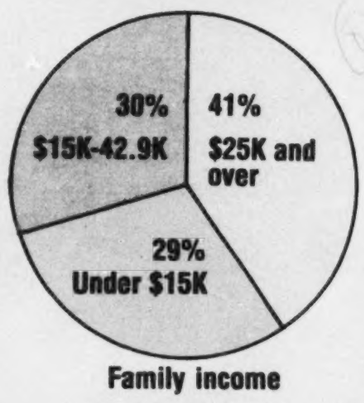
Although 13% of the surveyed consumers do not use vitamins at all, the remaining 87% support the retail nutritional supply market with sales approaching $2 billion in 1982.

One category from which drug stores might pick up some business is large family units. While 54% of the consumers who bought vitamins in drug stores were members of households of three or more, supermarkets got 79% of their shoppers from these "large" family units.

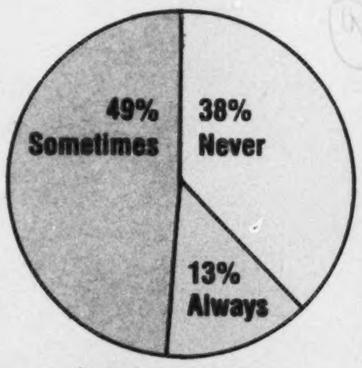
Though they represent a small group of vitamin consumers (2.0%), mail-order shoppers were most prevalent among males, under-30 year olds, and married consumers.

Though consumers now prefer to make vitamin purchases in drug stores over other outlets, drug chains continue to aggressively merchandise this category with large, attractive displays.

Drug store vitamin buyers tend to be upscale, impulse shoppers



Family income



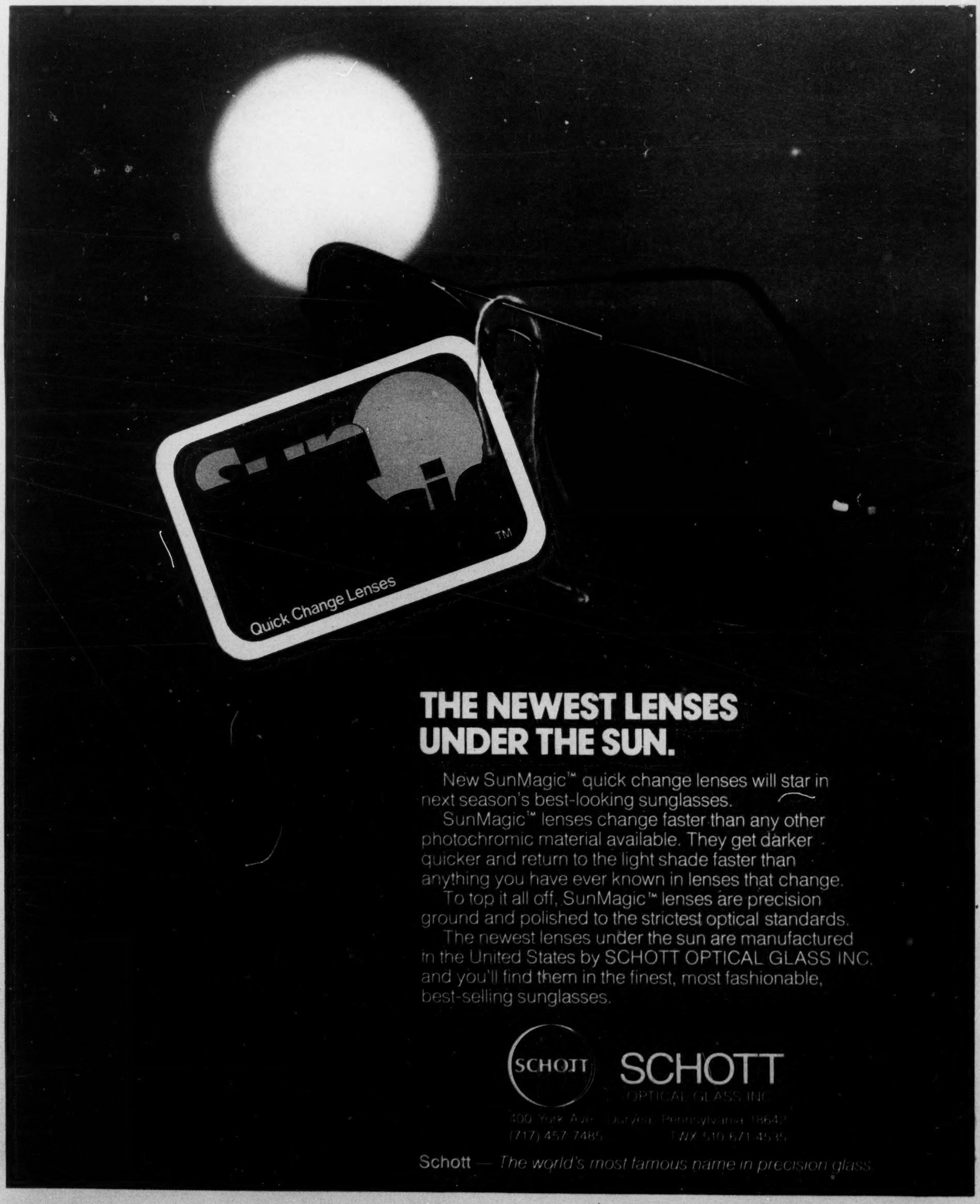
Impulse purchases

Source: Lebhar-Friedman Research

Profile of typical drug store vitamin shoppers

Category	%
Shop chain stores	65
Spend $15 or more	48
Female	54
30-49 years old	46
Married	68
Shop 3 or more times a month	54

Source: Lebhar-Friedman Research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New SunMagic™ quick change lenses will star in next season's best-looking sunglasses.
SunMagic™ lenses change faster than any other photochromic material available. They get darker quicker and return to the light shade faster than anything you have ever known in lenses that change.
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Second Annual Consumer Study

Key characteristics of natural cosmetics shopper:

- Buys these products primarily in chain drug stores
- Well-to-do, falling into $25,000 and over income range
- Most are in the 30- to 49-year-old age bracket
- Will travel distance for natural products
- Spends a great deal on natural products

Source: *Drug Store News*

The natural cosmetics shopper is big spender

She never used to wear makeup because the ingredients irritated her skin. Recently, while buying natural vitamins at her local drug store she saw a line of natural cosmetics and she now is a devout natural cosmetics consumer.

This is a typical example of a new breed of cosmetics shopper—those preferring natural brands—and suddenly the drug store has become an ideal outlet for these goods.

The typical natural products shopper is part of a high-spending group and usually spends more than $15 on a trip to the drug store.

Part of that shopping list may include natural cosmetics. In fact, drug stores are the favored outlet for natural cosmetics, according to consumer research conducted by *Drug Store News*. Almost 39% of the women who buy natural cosmetics made their last purchase in a drug store. This compares to only 0.6% who visit a health food store for the products.

Chains have been the first to commit totally to natural cosmetics and therefore are capturing more of the shoppers. Seventy-five per cent of the natural cosmetics customers shop chains rather than an independent drug store, compared to two-thirds for the sample as a whole.

Natural cosmetics drug store shoppers are likely to be well off financially. In fact, many chains feel a nutrition center does best in affluent areas. *Drug Store News'* research found that 41% of natural cosmetics shoppers have a family income of $25,000 or more.

The drug store shopper most interested in natural goods falls in the middle-age bracket, with 43% being 30 to 49, 31% over 50 and 25% under 30.

Consumers who buy natural cosmetics in drug stores are also more likely to be impulse shoppers. Almost two-thirds of them said they "always" or "sometimes" buy on impulse in a drug store.

Research from the survey suggests that natural cosmetics is a growing area that is still relatively untapped. However, there is a significant group of financially stable, free-spending shoppers seeking these products.

Cosmetics consumer seeks appealing image

Today's cosmetics shopper—she is upscale, most likely a working woman and devotes a significant part of her income to luxury items, especially cosmetics.

Drug Store News' national consumer study shows that today's typical cosmetics shopper seeks an outlet that appeals to her image. She wants an attractive location that is well-stocked and convenient.

Drug stores appear to be filling this need, according to the survey. Drug stores garnered a 40.6% share of cosmetics consumers, while supermarkets had only 5.4% and department stores 12.4%.

Cosmetics shoppers in drug stores tend to be higher income earners. For example, 37.4% make more than $25,000 a year in total family income, compared to 22% earning in the $15,000 to $24,000 bracket and 29% less than $15,000.

The cosmetics consumer also tends to be impulsive. Almost two-thirds of cosmetics shoppers "always" or "sometimes" buy on impulse.

Total amounts spent by the typical drug store cosmetics shopper are high, too. About half of the cosmetics shoppers spend more than $15 per trip to the drug store. And, these shoppers make frequent visits. A significant 59% visit the drug store between three or more times per month.

Drug store cosmetics shoppers have not cut back on their shopping trips this year. In fact, a greater number are shopping more frequently this year (26%) than are shopping less frequently (15%).

The aging of America portends well for drug stores and the cosmetics business. The data shows that women over 50 not only use more makeup, but also prefer drug stores over other outlets.

Finally, it is evident that women have come to enjoy the convenience afforded by the chain drug store. More than two times as many shoppers pick chains over independents, according to the survey.

Typical cosmetics shopper falls into high-income bracket
22% $15,000 to $24,900
37.4% $25,000 and up
29% less than $15,000
11.6% not available
Source: Drug Store News

Today's cosmetics buyer purchases on impulse—and often—in drug stores. Location and convenience are two time-saving factors that put drug stores in the No. 1 position.

Drug stores maintain toiletries market share

Toiletries and health and beauty aids are often the magnet that draws a consumer into a drug store. When shopping for specific items, a consumer will often spot items he or she needs and buy them on impulse.

Drug stores have not lost any market share in the lucrative toiletries category, according to a comparison between last year's *Drug Store News* consumer study and the current edition.

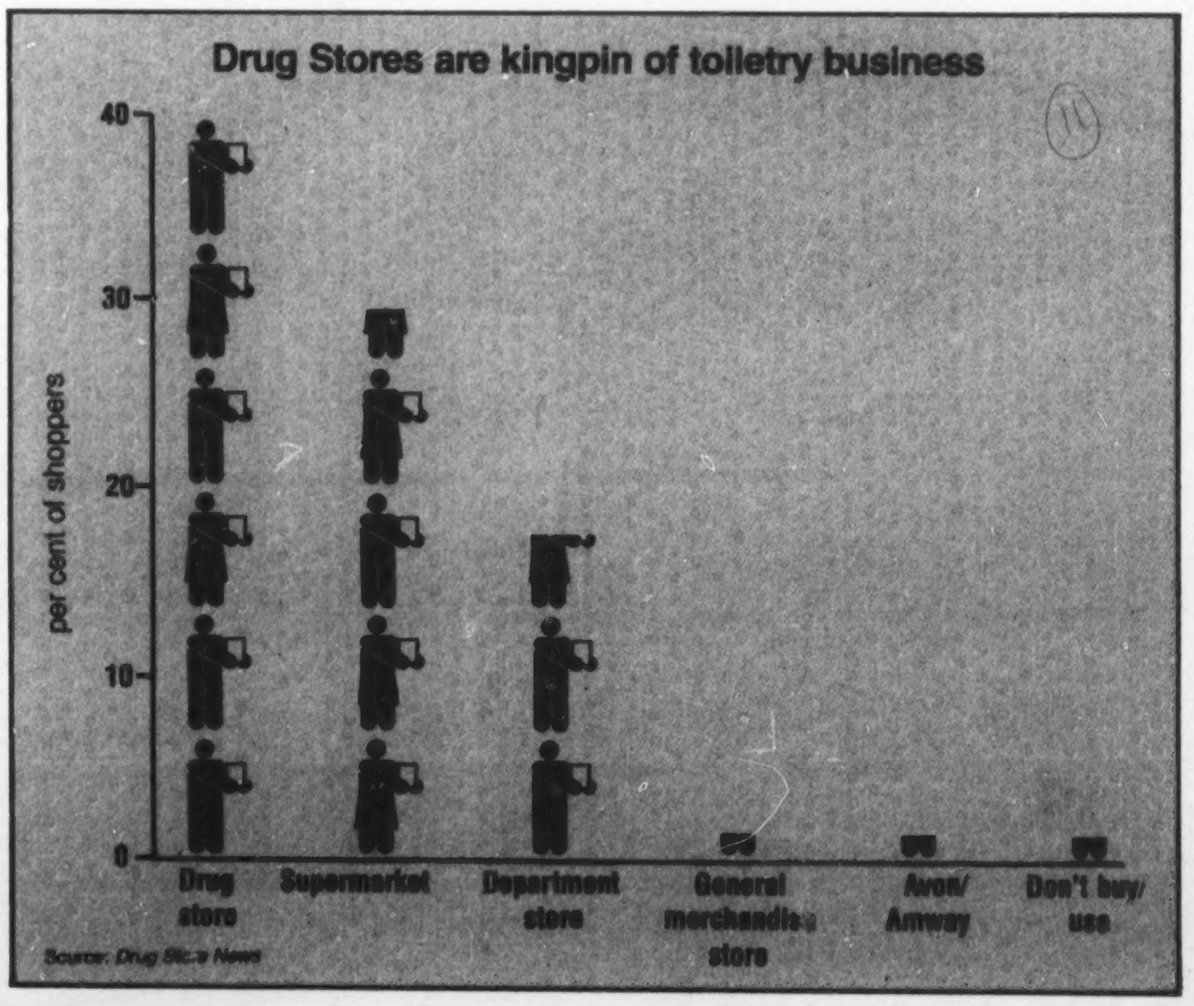
Despite heavy promotions by discounters, supermarkets and general merchandisers, drug stores maintained their lead in the category. Drug stores were the outlet where toiletries were last purchased by 40% of the audience, compared to 39% in last year's study.

This year, supermarkets were selected by 29% of the shoppers, compared to 35% last year. Discounters picked up some of this; last year discounters had an 11% share, while this year they climbed to 15.6%. General merchandisers held steady, earning about a 2% share in both periods.

Indeed, toiletries is a category that brings shoppers into the drug store. And the shopper attracted by these items is in a comfortable purchasing position. The majority—38%—spend more than $15 per trip.

Most important in this category is the large percentage of drug store toiletries shoppers who buy on impulse. The percentage of impulse buyers among this group is much higher than among other segments of the sample. For example, less than 10% of those choosing other outlets always buy on impulse while close to 15% of the drug store toiletries shoppers always do.

Finally, toiletry shoppers frequent the drug store at a rate higher than other outlets. While 15% of the total shoppers questioned shop five or more times per month in their favorite outlet, 21.5% of drug store toiletry shoppers go to the drug store five or more times.



Second Annual Consumer Study

Housewares shoppers visit drug stores more frequently

Most consumers who buy housewares in drug stores are high-impulse shoppers who are visiting drug stores more frequently than in the past.

More than 80% of these housewares consumers say they sometimes or always buy on impulse, a much higher percentage than the profile of the average drug store shopper.

In addition, 70% of these consumers visit drug stores at least three times a month and more than half of them visit drug stores five or more times a month.

Although drug stores in recent years have made significant inroads in broadening their merchandise mix, respondents indicated drug stores ranked third as a place of purchase for housewares behind the discount and department store. Only 9.4% of those queried said they made their most recent housewares purchase in a drug store.

In contrast, 28.6% of those polled made their most recent purchase in a discount store and 21.6% of the respondents made it in a department store.

Just under 10% of the men and women questioned said they made their housewares purchase at a national mass merchandising chain such as Sears, Wards or Penney's.

But the drug store share of houseware sales will continue to grow as stores increase their assortment of household products. Over the last 16 years, according to the National Housewares Manufacturers Association in Chicago, houseware producer shipments to drug stores have been growing steadily. According to the trade group, 6% of manufacturer's dollar sales are being made to drug retailers.

There were some findings from the survey that will help housewares buyers identify their customer. People between the ages of 30 and 49 were nearly twice as likely to buy housewares in a drug store than someone over 50 years old. This same 30 to 49 age group was also 20% more likely to buy housewares in a drug store than a person under 30 years old.

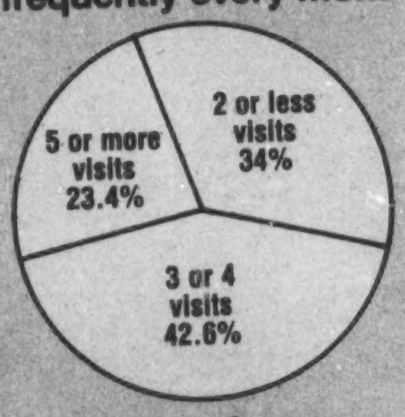
Drug store housewares buyers can benefit by examining the consumer profile that shops in a discount store. Married people were more likely to buy housewares in a discount store than single people by a 3 to 2 ratio. More than 30% of the married people surveyed said they made their last housewares purchase in a discount store as opposed to 21.4% of the single people.

The discount store is a favorite of widowed, divorced and separated people. In this group, nearly twice as many men and women bought housewares products in a discount store as in a drug store.

According to the survey, suburbanites are more likely to buy housewares in a drug store than residents of other areas. Of those who made their last housewares purchase in a drug store, more than 11% made it in a suburban store. Whereas, 7.1% of the rural residents and 7.8% of the urban respondents made their last housewares purchase in a drug store. However, for suburbanites as a group, drug stores were still the third choice of purchase.

In recent years, drug stores have made significant strides in developing their housewares sections to enable the consumer to do one stop shopping.

Housewares shoppers visit drug stores frequently every month



Source: *Drug Store News* Survey

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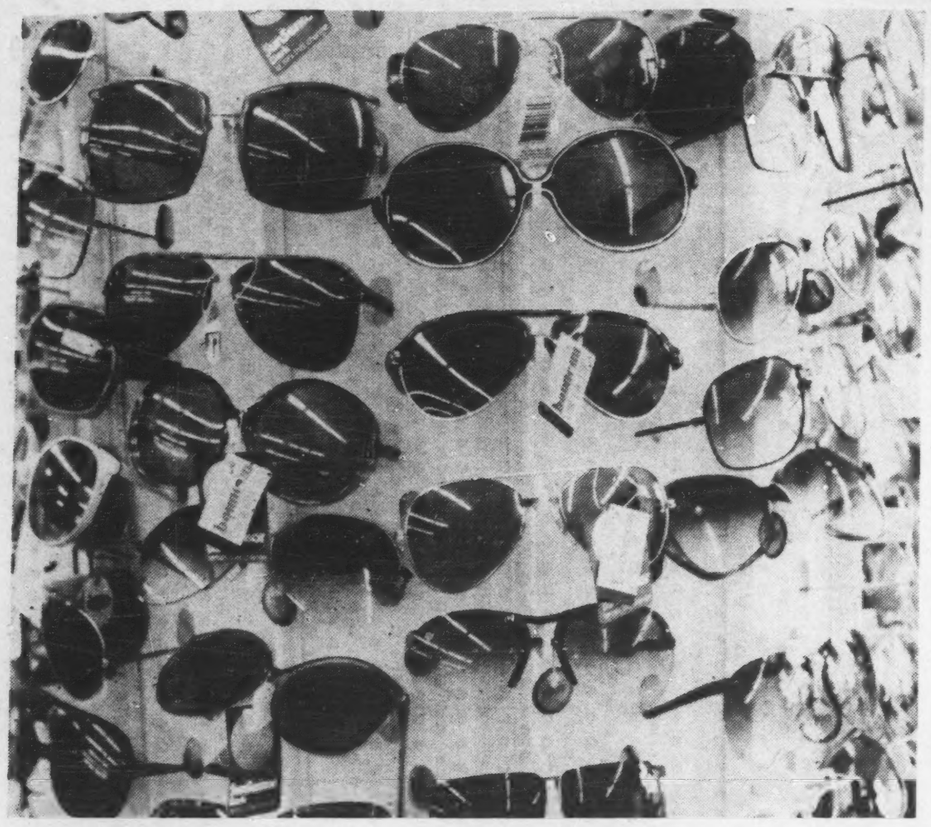
Second Annual Consumer Study



Modern lighted spinner racks in chain and independent drug stores offer drug store consumers a good selection of merchandise at a reasonable price.

Sunglass consumers go for fashion at reasonable prices

The typical consumer of drug store sunglasses has a relatively high family income, appreciates the latest fashions, but wants them at reasonable prices.

More than half of the respondents who bought sunglasses in drug stores had family incomes in excess of $25,000 a year.

And these youthful drug store consumers recognize what is in vogue. Most of those who bought sunglasses in drug stores were under 49 years old, people who are most conscious of the latest looks.

These shoppers are also impulsive. Successful retailers keep a full assortment of sunglasses on spinner racks or counter top displays so the shopper can select the best frame that suits his or her face. The new attractive lighted displays from a number of manufacturers aids the retailer in luring shoppers to try on the latest styles.

Almost half (46%) of the respondents in the *Drug Store News* consumer poll who wear sunglasses said they bought their last pair in a drug store.

The retail drug industry's high market share of category sales is particularly encouraging because when the final tally is in for 1982, total sunglass industry unit and dollar sales are projected to decline from the previous year.

The main retail competitor to drug stores in sunglass sales is the discount store where 15.3% of the respondents who wear sunglasses made their purchases. Nevertheless, three times as many of those polled who wear sunglasses bought them in a drug store rather than a discount store.

Only 13.5% of the sunglass wearers said they bought them from a department store and 8.7% said they got them through an optician or optometrist.

According to the annual nationwide survey, vision and eyeglass centers were not significant as only 3% of those who use sunglasses bought them from these outlets. Approximately, one fifth of the 500 men and women polled said they do not wear sunglasses.

In some geographic areas sunglass purchases in drug stores were greater than in other regions. More than half of the respondents in the New England and South Atlantic states said they bought their sunglasses in a drug store.

Surprisingly, the survey revealed that men were slightly more likely (18.5%) to buy sunglasses in a drug store than women. Those polled also indicated they were more likely to buy sunglasses in a surburban drug store than in an urban or rural outlet.

All in all, drug store ability to offer medium-priced sunglasses will insure continued sales as consumer's disposable income remains low. According to a number of drug store buyers, the average sunglass sale falls in the $8 to $10 range.

"I buy my sunglasses in a drug store because the styles are just as modern as in a department store, but the price is generally $5 to $10 less."

New York consumer

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Second Annual Consumer Study

Drug stores still get lion's part of prescription traffic

Despite encroachments by supermarkets and discounters on drug stores' pharmacy turf, shoppers in general continue to view drug stores as the cornerstone of the Rx business.

Of the 500 shoppers interviewed in *Drug Store News'* 2nd Annual Consumer Study, 97% said they had purchased prescriptions in a drug store in the past, and 90% said they had bought their most recent script there.

Asked if they had ever purchased a script outside of a drug store, 19.8% of the respondents mentioned discount stores and 14.8% said supermarkets.

Why had they chosen these outlets? Fifty-one per cent said it was because they were convenient, 29% said they were less expensive and 16% noted that they just happened to be in the outlet at the time.

The survey showed that demographics play a key role in determining where consumers pick up their scripts. For example, people who "only buy in drug stores" are more apt to be 50 and over; single, widowed or divorced; those with a single drug store shopper in the household; those who live in New England or mid-Atlantic states, and those who require maintenance drugs.

Furthermore, 42% of these consumers have family incomes of $25,000 or more a year and 24% earn between $15,000 and $24,999. However, families with incomes under $15,000 shop in drug stores for their scripts in disproportionately high numbers.

The profile of a typical prescription buyer in a supermarket or discount store has these characteristics: a family income between $15,000 and $24,900 per year, under 50 years of age and married. In addition, the highest percentage of consumers who shop for scripts in supermarkets live in Western states, while discount store prescription shoppers tended to cluster in the South Central states.

When the entire sample was presented with a list of factors that figure in the choice of a favorite drug store, 81.4% rated "trust in pharmacist" as extremely or very important, the second highest on the list next to "quality of merchandise carried."

This opinion registered high across all demographic lines, except for those under 30. Only 70.3% of that age group rated "trust in pharmacist" as extremely or very important.

Availability of generic drugs was the factor least often rated extremely or very important to consumers. Only 38% of all respondents gave it a high rating.

Surprisingly, 17% of the consumers said they were not even aware of the availability of generic drugs as substitutes.

The profile of a consumer willing to accept a generic substitute includes the following characteristics: 30-49 years old, earns over $25,000 a year, resides in a household of three or more drug store shoppers, belongs to a maintenance medication plan and shops three or more stores.

Consumers who shop for scripts in chain drug stores are just as likely to substitute (37.2%) as independent shoppers (35.7%).

Those least likely to substitute shop five or more times a month in a drug store.

Most shoppers making frequent monthly store visits, purchase scripts in drug stores

	Total	Shopping frequency per month 2 or less	3 to 4	5 or more
Purchased last script in: (base)	100.0% (500)	100.0% (236)	100.0% (166)	100.0% (73)
drug stores	90.2	87.5	94.0	90.7
discount stores	1.8	1.6	0.6	5.3
supermarkets	1.4	1.2	1.2	1.3
all others/don't know/ no answer	6.6	9.7	4.2	2.7

Source: Lebhar-Friedman research

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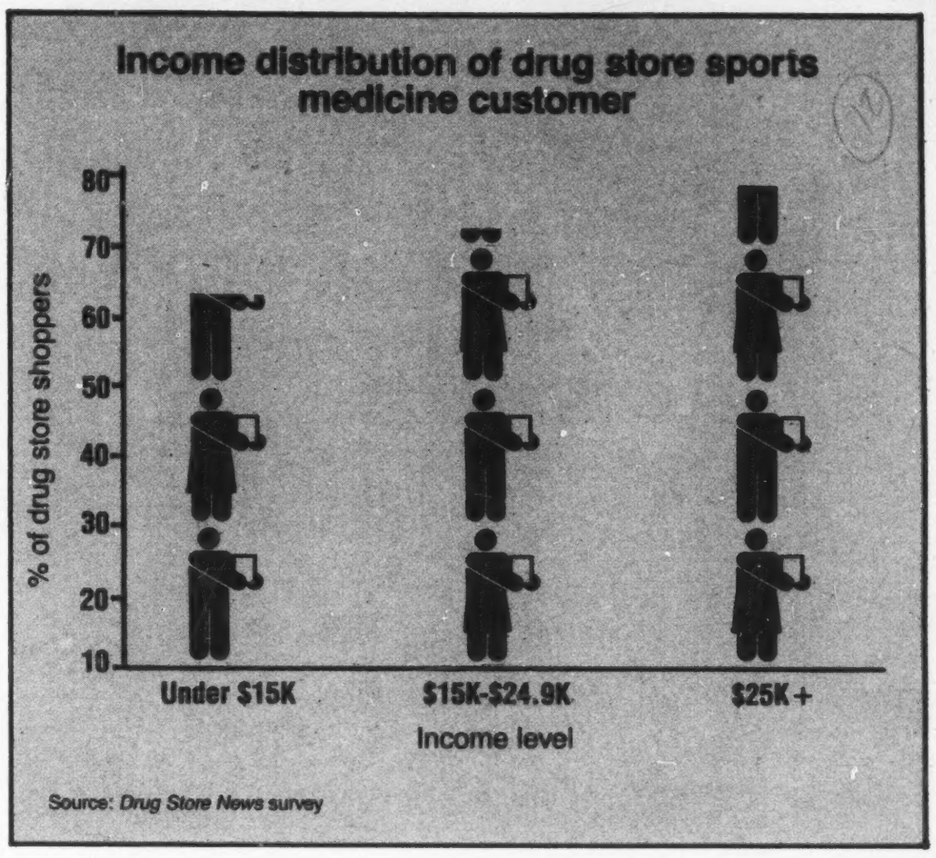
Second Annual Consumer Study

Younger consumers support market for sports medicine



While the sports medicine category encompasses all age groups, *Drug Store News'* consumer survey showed that persons under 30 are most likely to use the products. Nearly 80% of the under-30 age group said they had made their last sports medicine purchase in drug stores, compared to 73% in the 30-49 age group and 64% in the over-50 age group. According to the survey, middle-aged shoppers (aged 30-49) are twice as likely to buy sports medicine products from a nondrug store retailer than are members of the two other age groups.

Single persons, the survey showed, are slightly more likely to use sports medicine products than are persons who are married, divorced, separated or widowed. Results also showed that consumers in rural areas were the least likely to use sports medicine products.

The survey showed that sex is not a factor in where consumers decide to buy sports medicine products. Roughly 71% of both the men and women interviewed said they had last purchased a sports medicine product in a drug store. Not surprising were survey results showing that the need for and use of sports medicine products increases as family incomes go up.

For instance, 64% of those surveyed with total family incomes under $15,000 made their last sports medicine purchase in a drug store, while 72% of those with incomes of $15,000 to $24,900 and 78% of those with incomes exceeding $25,000 said they had made their last sports medicine purchase in a drug store. Of the three income groups surveyed, those in the under $15,000 category were the least likely to buy or use sports medicine products.

Overall, the survey showed that when consumers need a special ointment, bandage, brace or support to help heal a sports or work-related injury, they think first of buying it in a drug store.

In fact, of the 500 consumers surveyed nationwide, two of every three persons needing sports medicine products will buy them at a drug store. Seventy-one per cent said they had made their last purchase of a sports medicine product in a drug store. Discount stores (7.6%) and supermarkets (6%) lagged far behind as the next most likely place to purchase sports medicine products. A slightly larger percentage of persons in New England states said they had last purchased a sports medicine product in a supermarket, while in South Central states, a greater frequency of sports medicine purchases in discount stores was noted.

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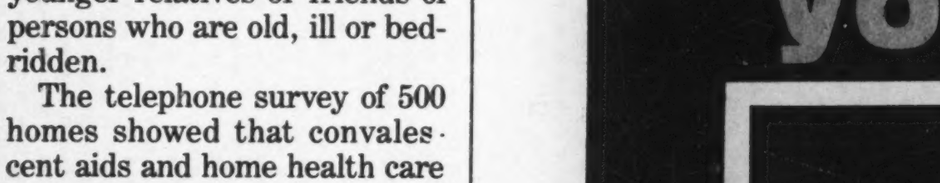
Second Annual Consumer Study

Convalescent aids: Users are elderly, buyers young



Three out of every four convalescent aids shoppers interviewed made their last purchase at a drug store.

Contrary to popular belief, buyers of convalescent aids and durable medical equipment are not always elderly. In fact, *Drug Store News'* nationwide survey showed that an overwhelming majority of these shoppers (159 of 220) are in the under-50 age group.

Survey results suggest that convalescent aids shoppers, more often than not, may be younger relatives or friends of persons who are old, ill or bedridden.

The telephone survey of 500 homes showed that convalescent aids and home health care items are nearly synonymous with drug stores.

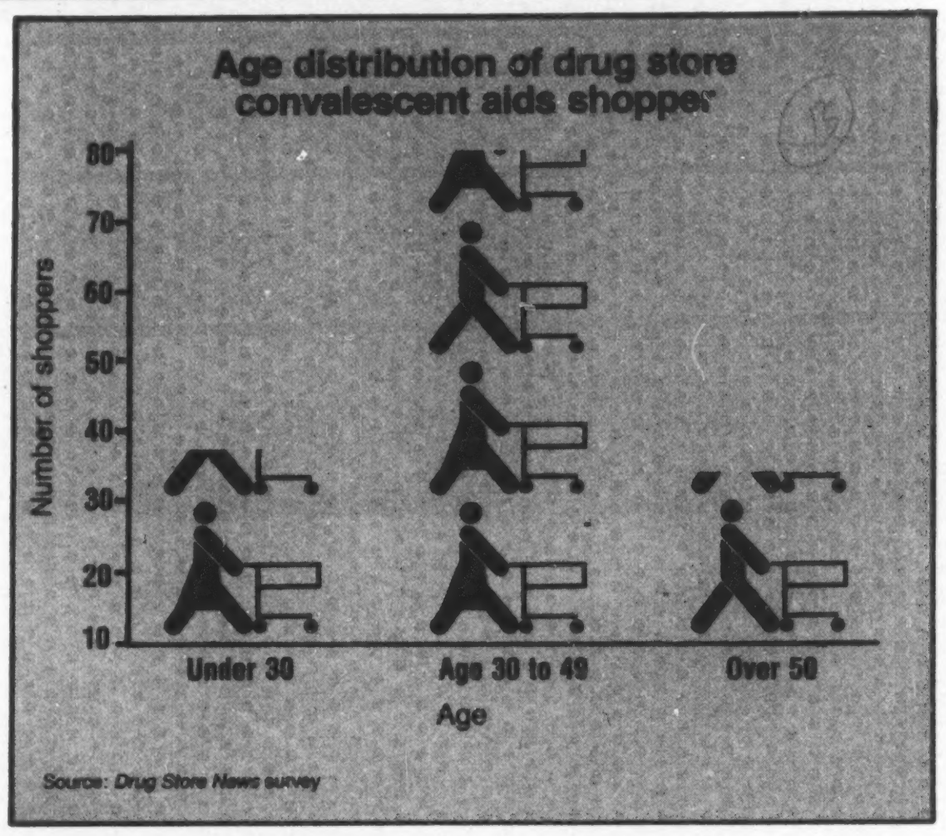
Indeed, nearly three of every four persons interviewed who had bought convalescent aids made their last purchase of these products in a drug store. According to the poll, 41% of the 500 persons interviewed had purchased at least one home health care product recently and 31% of them did so in a retail drug store.

Hospitals (2%), discount stores (1.6%), and medical supply stores (1.4%), accounted for an insignificant portion of all home health care product purchases when compared with the volume of purchases made in drug stores. Fifty-six per cent of those surveyed said they don't buy or use home health care products.

Further evidence of the role family members play in the selection and purchase of convalescent aids equipment is the fact that most drug store purchases of home health care products were made by married persons with households containing at least three persons. Elderly people, as a rule, are widowed by the time they need convalescent aids, and often live alone.

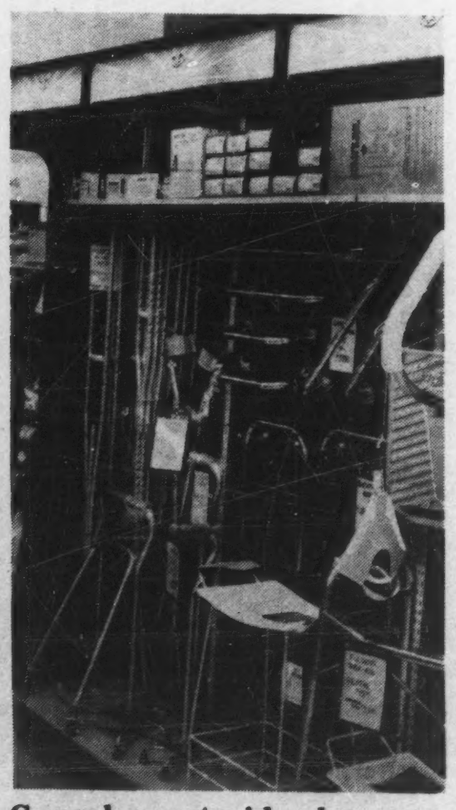
The survey also showed that the bulk of home health care customers who buy such products in drug stores have total family incomes exceeding $25,000. Persons in the under $24,900 income category were slightly more likely to obtain convalescent aids and other home health care products in hospitals and discount stores.

Just under 10% of the persons who said they bought convalescent aids products said they last did so from nondrug store retailers, including department stores, discount stores, hospitals, medical supply stores or even supermarkets (presumably, those with pharmacies).



Survey results also showed that persons in rural areas are more likely to buy home health care products at their local drug store than are persons living in urban or suburban areas, where the variety of retail outlets is higher.

The survey did not measure consumer involvement in the rental of home health care products, which is a major segment of the convalescent aids market.



Convalescent aids shoppers, more often than not, are younger relatives or friends of infirm persons, and therefore fall into the under 50 age category.

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Second Annual Consumer Study

Convenience, prices lure shutterbugs to drug stores

Drug stores are the first choice for film processing across all demographic lines, but are especially popular among younger people with larger families and higher incomes.

This follows the pattern of the individual most likely to use film processing. As income increases, an individual is more likely to snap pictures.

Overall, 44.6% of 500 consumers surveyed by *Drug Store News* reported their last roll was developed at a drug store.

That is nearly four times the number of respondents (11.8%) who said their last roll was developed at the closest competitor of drug stores, film processing stations.

Shutterbugs who bring their exposed film for processing to drug stores and drive-in film drops cite the same principle reason for picking that outlet: convenience.

Nearly 48% of those surveyed by the Photo Marketing Association reported convenience was the main reason they used the service at a drug store. Price was the second most important consideration, a factor that was not that important to shoppers at film processing stations.

That corroborates the *DrSN* survey that reveals the number of persons who have their film processed at drive-in film drops rises dramatically from 9% to 15.7% as income rises from below $15,000 per year to $25,000 and over.

Drug stores also gain more film processing customers as income rises, but the increase is not as dramatic. Among respondents with household incomes less than $15,000, 43.6% said their last roll of film was developed at drug stores. Among those with household incomes greater than $25,000, 48.6% said their last roll was processed at drug stores.

Camera stores had the most spectacular growth in relation to income. The number of respondents with incomes over $25,000 who said their last roll was processed at a camera store (9.2%) was more than triple the number with household incomes under $15,000 (3%).

Other research indicates camera stores are the first choice among photographers who value quality as the prime reason in selecting a film processor.

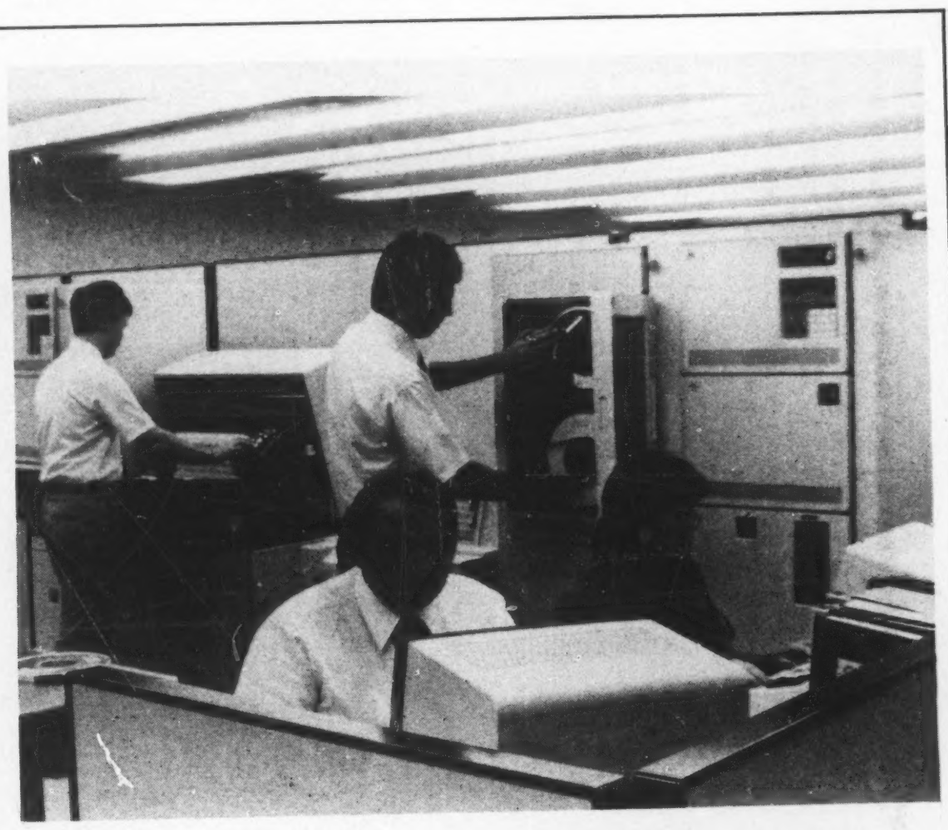
Among all photographers, quality was the third most important reason given (16.2%) in selecting a film processor, following convenience (38.7%) and price (30.5%), according to the PMA survey.

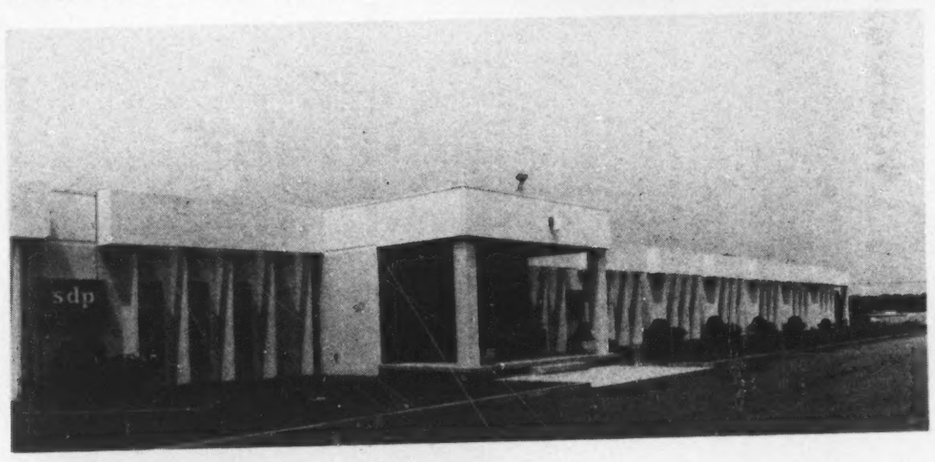
In the *DrSN* survey, older people were less likely than younger people to bring their film processing to a drug store. More than half of those under 30 (50.5%) had their last roll of film processed at a drug store.

That percentage decreases in the older age groups and reaches a low for those 50 and over (38.3%). This shift also follows the trend for all film processors because the number of people who use film processing decreases with age.

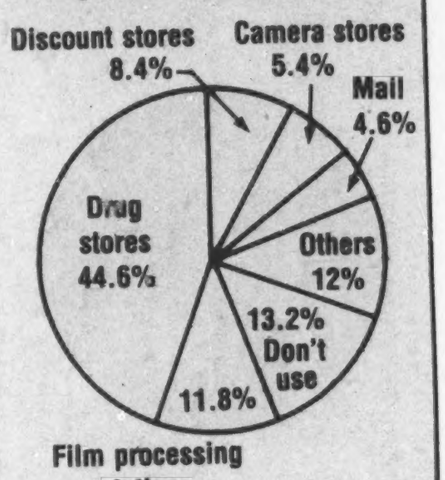
Overall, film processing at chain drug stores is expected to average approximately 17% in annual growth over the next five years, according to various marketing studies. Photo finishing sales for 1982 are expected to be $2.6 billion. The entire photo finishing industry is growing at a 10% annual rate.

Factors that are expected to generate further growth in film processing is the introduction of new format cameras, like the Disc, as well as heavy advertising by manufacturers, photo specialty and chain stores.





Drug stores dominate film processing market



Film processing stations

Source: *Drug Store News*

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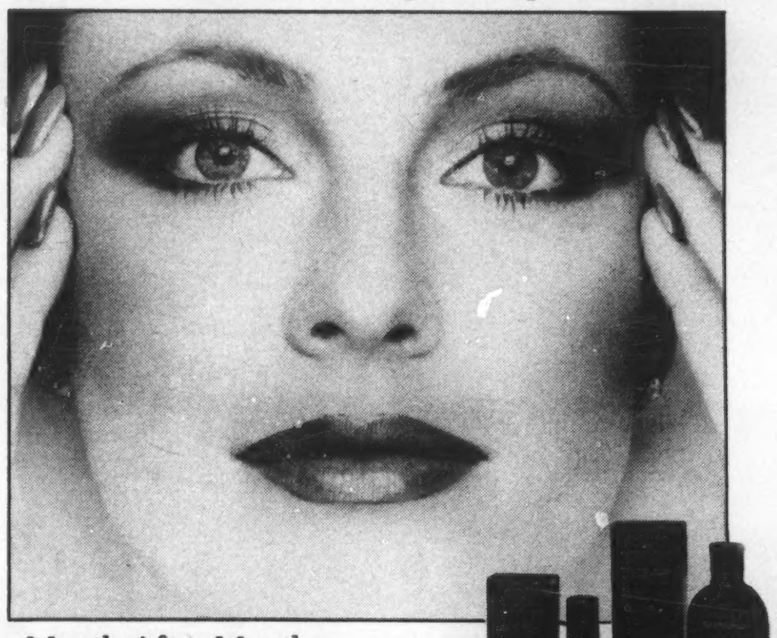

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Second Annual Consumer Study

Drug stores come out strong third with camera shoppers

When 500 consumers were asked where they bought their last camera, a surprising 13% said drug stores, making the outlets the third most popular choice behind discount stores (17.2%) and department stores (15.2%).

According to the *Drug Store News* survey, lower-income buyers made drug stores their favorite outlets, outdistancing the nearest competing shops, camera and department stores, by nearly 2 to 1.

The person most likely to buy a camera in a drug store is a woman with a household income of less than $15,000, between 30 and 49 years old.

However, drug stores lost shares of an expanding market to department stores, discount stores and camera stores as income increased.

In the $15,000- to $24,999-annual-income range, drug stores slid to third place with 13.9% of camera sales, behind discount stores at 23.5% and department stores at 20.9%. In the $25,000 and over income group, drug stores are in fourth place with 11.4% of the sales, behind discount stores at 20.5%, department stores at 18.9% and camera stores at 18.9%.

According to Business Trend Analysts, 60% of all 35mm cameras are sold in specialty camera stores. This statement, coupled with Lebhar-Friedman research, indicates that as camera buyers income increases, they are more likely to go to a camera store for a 35mm camera than to a drug store for a lower-priced camera.

Drug stores are more likely to sell cameras to women than men: More than 15.1% of the women surveyed reported making their last camera purchase at a drug store compared to the 10.8% of the men surveyed.

Although the share of drug stores' share of the camera market declines as income rises, the total market grows in relation to income.

Households with incomes less than $15,000 are twice as likely not to own a camera as households with incomes more than $25,000. More than 32% of the under-$15,000 income households said they did not own cameras while 13.5% of the households earning over $25,000 said they did not own cameras.

Age also was a factor, with individuals 50 or over more than twice as likely not to own a camera than individuals under 30 and three times as likely as individuals between 30 and 49 not to own a camera.

Of those under 30 surveyed, 17.1% reported not using cameras. In the 30 to 49 age bracket, 13.8% said they do not use cameras. In the over group, 37.7% said they do not use cameras.

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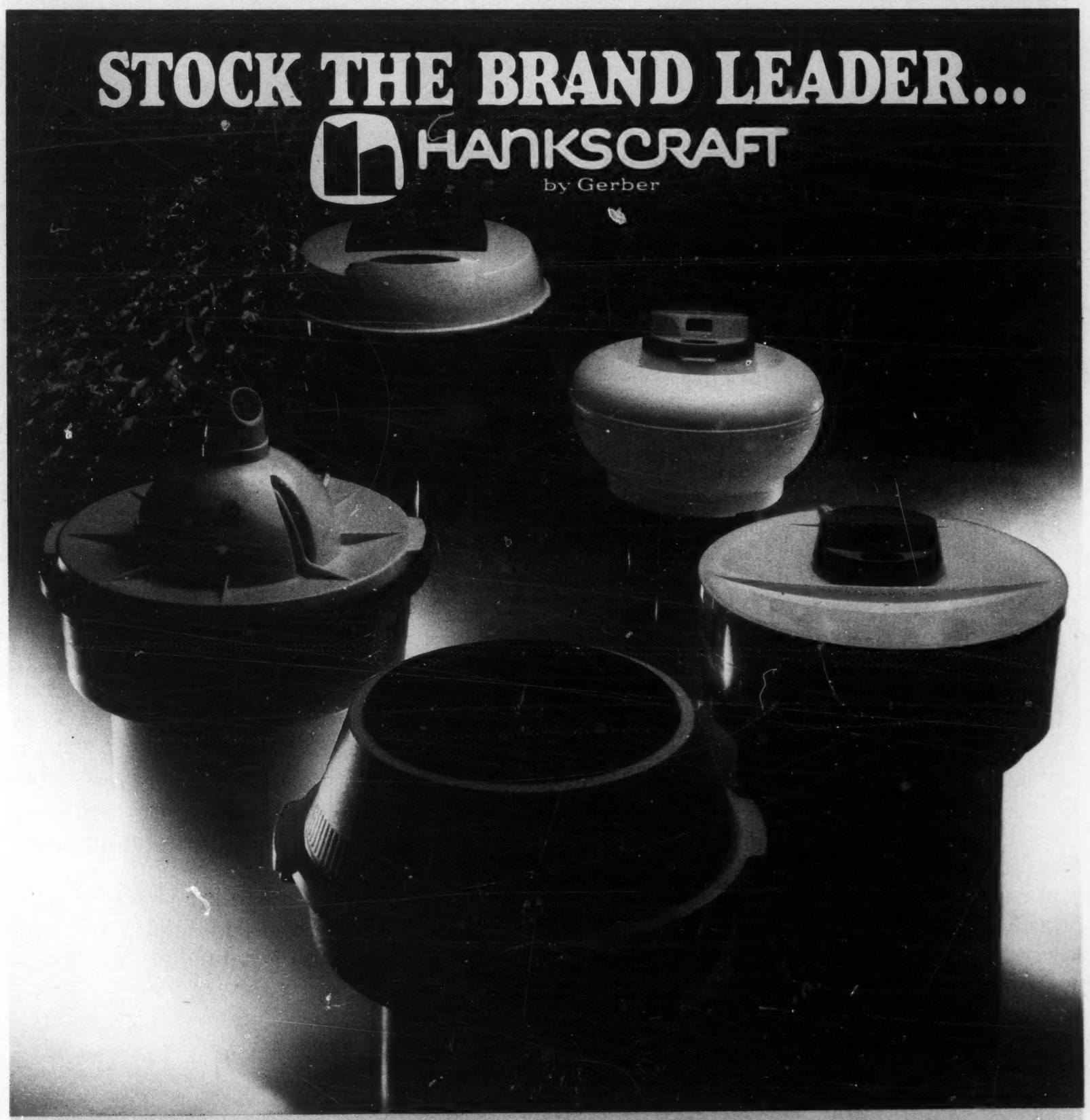

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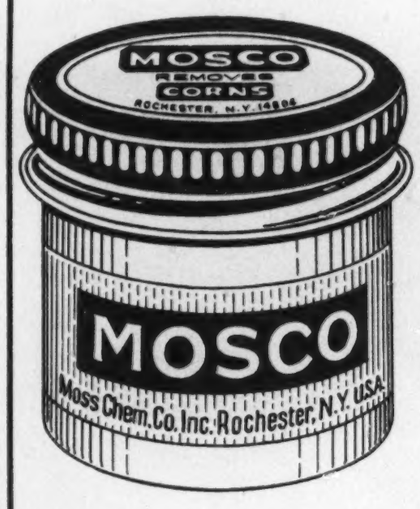

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Deep discounts set for 5-year growth spurt

Continued from page 1
ber's franchise operation, grew to 17 stores this year including debuts in new and fertile markets such as Atlanta and San Diego.

• Finally, low-margin retailing was introduced into the upstate New York market when Carls Drug converted a unit into Cost-Rite. Cost-Rite, which features discounts up to 40%, directly competes with Fay's Drug at a location in Syracuse, N.Y.

These are just a few of the major entries of discount drug retailing that 1982 brought. What spurred these retailers to enter this complicated business which survives on striking low-cost deals, balancing inventories and using diverters? The sheer volume figures produced by the original operators are the catalyst, insiders report. For example, it is estimated that in Cleveland, Shulman's and Marc's do better than one-eighth of the total drug store business.

Attractive market

"Bernie's [Shulman's] and Marc's do about $44 million of the $325 million in drug sales in Cleveland," states Barney. "Obviously, this market penetration is attractive." And, Barney hopes his units will be able to produce volume levels of $15 to $20 million annually when mature.

Under Barney's guidance, Fisher plans to build this business in a chain format similar to the lucrative F&M chain based in Warren, Mich. One of F&M's newer stores, a three-year-old site in Toledo, already generates about $7 million in annual sales and the original unit in Ferndale, Mich. (a 4,500-sq.-ft. store) produces double digit annual sales.

So, the volume potential is there. But, as more and more stores open, is there a chance of markets becoming saturated? Will there be enough consumers in an area to bring in traffic to offset the low margins?

"You can't open too many of these stores in any trade area," explained Barney. "Between your own stores and competitors, saturation is reached too quickly."

Thus, Jax is prepared to move away from its Cleveland base and will probably pick markets without deep discount competition where an early foothold will provide a quick influx in market share dollars (based on Cleveland statistics). Since Jax stores operate on a direct buy, direct ship basis, there are no geographical boundaries.

F&M has also expanded outside of the Michigan boundaries because of market saturation. However, this company chooses to keep all of its stores within about a 60-mile radius of headquarters.

Wilber still feels there is plenty of room for growth in just about any market. "I don't think you'll see over-storing in my lifetime," Wilber quipped. Wilber reasons that because every store is different, the unit attracts a different kind of consumer and will have different traffic patterns.

Major deep discount operators

store name	ownership	no. of stores
Drug Emporium	franchised stores conceived by Phil Wilber, Columbus, Ohio	17
Rock Bottom	Courtesy Drugs, Port Washington, N.Y.	12
F&M	private ownership, Warren, Mich.	8
Warehouse Way	Chatham Super Markets, Warren, Mich.	7
SuperXtra Drug World	SupeRx Drugs, Cincinnati, Ohio	3
Drug Palace	Rite-Aid, Shiremanstown, Pa.	3
Jax	Fisher Foods, Bedford Heights, Ohio	2
Shulman's	Terry Shulman, Cleveland	2
Marc's	private owner, Cleveland	1
Cecille's	Sonny and Cecille Raichlen, Birmingham, Mich.	1
Cost-Rite	Carls Drug, Rome, N.Y.	1
Gray	Gay Drug Fair, Cleveland	1
R-Way	Ribordy Drug, Valparaiso, Ind.	1

Source: *Drug Store News* (not a complete list of all deep discounters, only major stores in large markets).

Fay's predicts $1B sales after 10 years

Continued from page 1
• An annual return on equity of 18%, and annual inventory turns of six times, compared to 20% and five times per year today.

"To some, Fay's goals may seem quite ambitious," Panasci told the analysts. "But those of you who know us and our track record are aware of our potential. We have everything in place to implement the plan."

Panasci's remarks followed disclosure of the 92-store chain's third quarter and nine-month results for the period ended Oct. 31. Net earnings for the nine months increased 117% to $2.9 million on sales of $191.3 million, over the prior year's $1.3 million on sales of $170.2 million. Two years ago, Fay's reported earnings of $862,000 for the nine-month period.

For the third quarter, earnings increased to $1.1 million on sales of $66.2 million compared with earnings of $509,000 on sales of $55.8 million in the same period last year.

Panasci also announced the company's plans to proceed with the $7 million, 2 million cubic-foot expansion of its Liverpool, N.Y., distribution center early next year. The project was previously delayed because of high interest rates.

The expanded facility will increase to 75% the ratio of centrally distributed merchandise in Fay's stores, compared with 65% today.

Panasci said Fay's also expects to open 10 new stores next year, some in existing markets and some in new markets in northern Pennsylvania and western Massachusetts, but all within a 250-mile radius of the company's distribution center.

Several factors have accounted for Fay's rebound since the company withdrew from its 35-store southern operation two years ago, Panasci said.

Increased market penetration in upstate New York, a completely computerized pharmacy system, renewed emphasis on selected high gross margin products and intensified cost controls have paved the way for Fay's upbeat performance record.

Clustering stores in key market areas, such as Buffalo, Rochester, Albany and Syracuse, N.Y., has afforded Fay's increased economies of scale in advertising and store supervision costs now reflected in the chain's bottom line, Panasci said.

AccuFays, the chain's computerized pharmacy system, helped boost prescription volume 7% during the last nine months, Panasci said, an increase that equals a 35% gain in prescription revenues, stemming from a 12% inflation rate, larger quantities being dispensed and costly new drug products introduced during the last 18 months.

Chains react to consumer survey

Continued from page 1
DrSN' finding about the importance of merchandise variety in the selection of a drug store. Only a convenient location was considered more important, according to a Walgreens spokesman.

To keep their balance on the highwire, many chains are decreasing inventory while trying to minimize the effects of the cuts. Big B, for example, has reduced its same-store inventory by 2% to 3% below last year's, yet has kept the same number of facings of all merchandise.

"Instead of having the Crest toothpaste go all the way back to the wall, there may be space there," according to Arthur Junes, vp of financing for the Birmingham, Ala.-based chain. "You have to have all of the merchandise the customers want. If we don't have it they'll go somewhere else."

Jones said most of Big B's inventory reductions came in the back storage areas. He said the chain has a higher inventory to sales ratio than the rest of the industry to make sure customers find Big B stores well stocked.

Rite Aid never changed inventory policies during the period of high interest rates, according to Alex Grass, chairman and president. "We continue to enjoy traditional sales increases whether or not inventory levels have become a factor. It's difficult to assess," he said.

But at Page Drugs, Robert Corn, executive vp, said the growing number of combination stores with big drug sections may be making customers more conscious of wide selections.

"Before, it was an accepted fact what was in the stores. Once they come into combination stores they see bigger selections. There are 540 sku's in our shampoo section. Another chain in our area has 300," he said.

Still Page has reduced inventories 10% below last year's level. Corn said, "We have items turning five times a year. That's not good enough. The reductions are not visible. They're just not noticeable to the consumers," he said.

Impulse sales flat

Corn agreed with another finding of the *Drug Store News*' survey: Impulse sales were down this year.

"Our sales are somewhat flat. We're averaging close to 10% over same store sales of last year," he said.

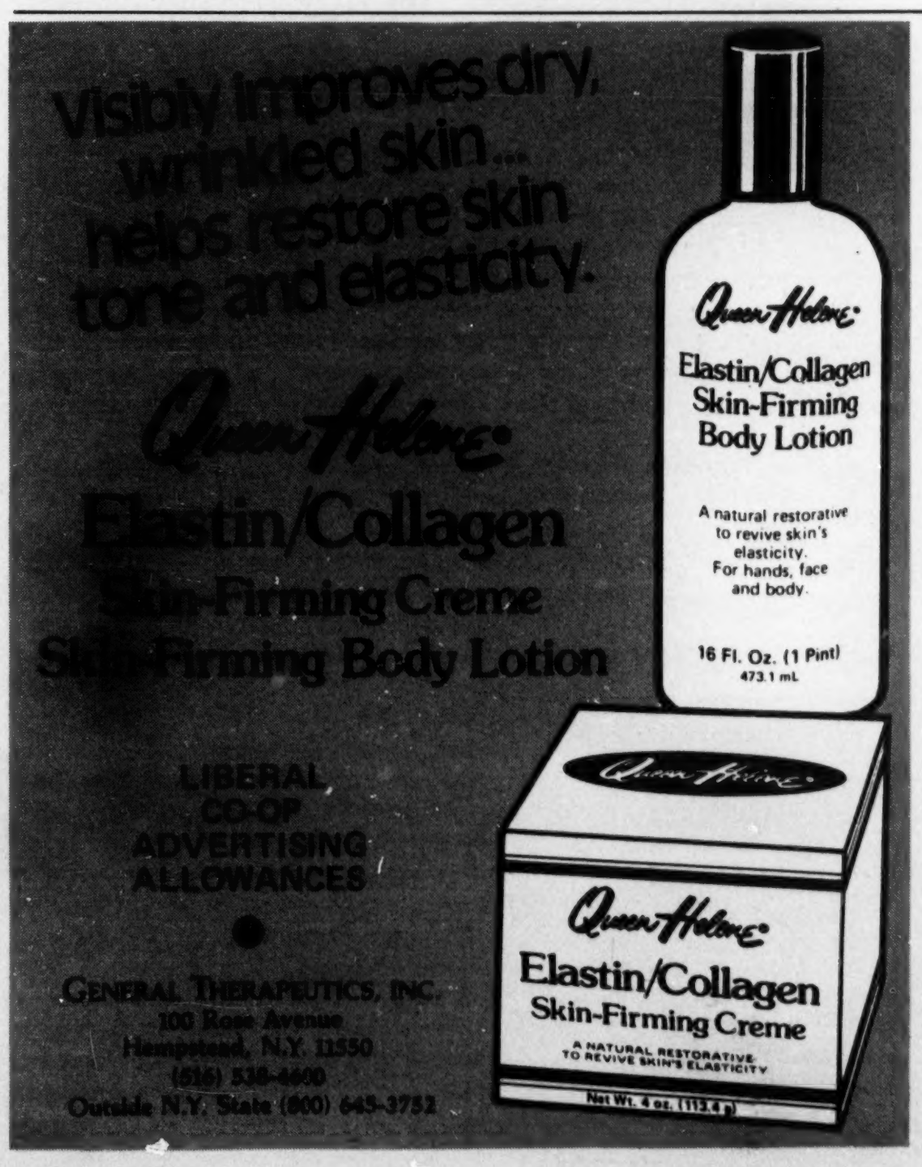
William D. Ausenbaugh, executive vp at Ribordy Drug, also noticed the decline in impulse purchases. "We stayed away from some impulse items, especially fad items and items in housewares.

At Big B, Jones said his chain is trying harder to lure the shoppers into the stores by cutting prices more deeply than in the past on promotional items.

"It's been a little harder to get the customers into the stores. There's plenty of dollars out there. Our percentage of advertising to sales is the same, but the ads are stronger as far as the percentage of the markdown," he said.

Walgreens is finding that impulse purchases remain a good percentage of sales, according to chain spokesman Kelly. "Given an attractive display in heavily trafficked parts of the store, they keep being bought. Small trial size packages are successful," she said.

Although the *Drug Store News*' survey reported customers were less concerned with sales and bargains than in the past, some chain executives disagreed.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SupeRx chooses combo model

Continued from page 1
chandise, the new prototype store contains a full-service meat department, a seafood shop offering local, regional and air-shipped fresh fish, a hot/cold delicatessen, an international cheese shop, a full-service pharmacy, an in-store bakery, and a large floral department with potted plants, fresh cut flowers and floral supplies. Other key departments in the attractively decorated store include a cosmetics section featuring popular national brand products, a birthday, greeting card and party center, a wine shop and an expanded service center.

The prototype is approximately 4,500 sq. ft. larger than its four predecessors, the first of which opened in October 1980 in Melbourne, home of SupeRx's Florida regional headquarters. A second combo opened earlier this month.

The extra space has allowed SuperX to expand the store's frozen foods section from 265 linear feet in prior locations to over 400 ft.

As its name suggests, food gets top billing in the combo. Roughly 70% of the store's total square footage is devoted to traditional supermarket items plus the expanded special service sections (floral, cheese, bakery, deli, seafood and meat). The drug side of the store, about one-third of the total selling space, is also service-oriented. A pharmacist is on duty approximately 12 hours each day, a cosmetician is available eight hours a day, and an L-shaped 20-ft. service counter is staffed to assist customers with bottle returns, film processing, and camera, appliance and tobacco purchases.

Health and beauty aids merchandise has been trimmed slightly compared to a regular SupeRx drug store, but national brand cosmetics receive the same glittering two aisle, tile floored and specially signed display seen in prior SuperX combo stores.

Lowest in town

SuperX is backing up its emphasis on personal service and quality merchandise with a guarantee that its prices are the lowest in town.

SuperX promises to triple the difference in cash between its prices and those of any lower priced competitor during any week. Customers must purchase at least 25 items valued at $20 to qualify

A random comparison of the combo store's opening week prices with those of a nearby Gray Drug Store appeared to reinforce SuperX's low-ball image.

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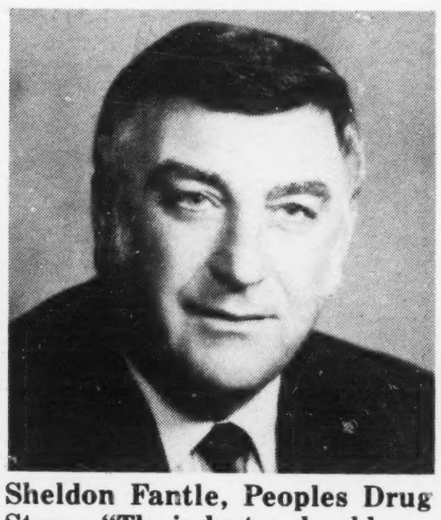
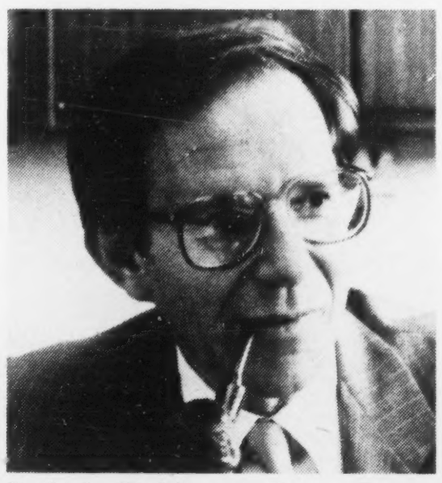
DRUG STORE NEWS

Vol. 5 No. 1/Incorporating **CHAIN STORE AGE Drug Magazine** Published by Lebhar-Friedman Inc./January 10, 1983

Chain execs see 'modest' growth in '83



Sheldon Fantle, Peoples Drug Stores: "The industry should sustain modest growth."



Jack A. Robinson, Perry Drug: "High unemployment is going to persist."

J. Douglas Reeves, Hook Drug: "Considering the Midwestern economy, we are doing well."

Henry Panasci Jr., Fay's Drug: "1983 will be the turning point for the economy."

Stewart Turley, Jack Eckerd Corp.: "The chain drug industry will face a trying year."

By Clifford Feng

NEW YORK—Chief executives of some of the nation's leading drug chains are confident the industry will achieve at least modest sales growth in 1983.

Retail drug chiefs from Walgreens, Peoples, Fay's, Perry and Hook Drug were among those who told *Drug Store News* that the industry's resiliency was a major factor in its ability to sustain sales and profit growth despite double-digit unemployment and seesawing interest rates.

To insure growth levels, retailers say they will beef up store expansion and remodeling programs, restructure advertising programs and improve merchandise distribution methods.

"The chain drug industry should sustain modest growth in both sales and profit in the year ahead," said Sheldon "Bud" Fantle, president and ceo of Peoples Drug Stores. "Being in an industry that caters to the masses, as well as selling consumable products, we have the advantage of being somewhat recession resistant.

"Our industry has become more sophisticated in recent years," said the head of the 500-plus-store chain, "and it is fully capable of dealing with the changing environment, thereby being able to respond positively to less than the most desirable conditions."

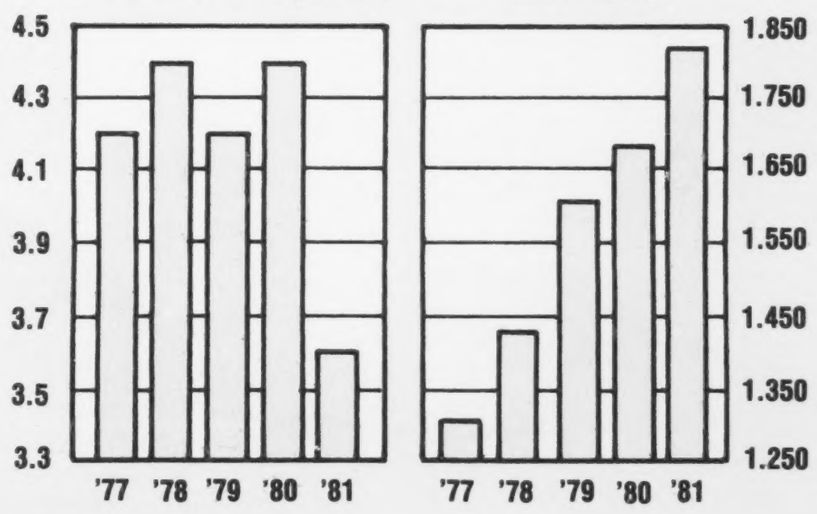
And how will Walgreens, which had record sales of $2 billion in fiscal year 1982, maintain its performance? In 1983, this

Continued on page 56

NACDS Lilly Digest:

Profit margins had big dropoff in 1981

Sales up, but profit margins fall



Source: 1982 NACDS-Lilly Digest

NEW YORK—The year 1981 was a tough one for chain drug stores, according to the 1982 NACDS Lilly Digest.

Sharply higher merchandise costs and total expenses led to the steepest decline in before-tax profit margins ever reported by the 12-year-old publication.

According to the just-released Digest, the before-tax profit margin for the average chain drug store dropped almost a full percentage point, from 4.4% in 1980 to 3.6% in 1981.

The 12th annual edition, published by Eli Lilly and Co. in

Continued on page 56

TRP drugs make debut across U.S.

NEW YORK—Over-the-counter drug products in new tamper-resistant packaging are reaching drug chains as fast as manufacturers can ship them, but different products are winning the race to retailers' shelves in each section of the country.

While Bristol-Myers was the first to hit Pay 'n Save on the West Coast with its new packaging for Datril 500, Tylenol in its new wrapping was the first to reach Medi Mart on the East Coast. At the same time, Begley Drug in Kentucky has received newly packaged Tylenol, Anacin 3 and Bufferin.

Meanwhile, manufacturers have established different policies for crediting retailers for products still on the shelves in their old packages.

"There is no formal take-back policy by most manufacturers," according to a spokesman for Rite Aid.

Continued on page 56

Yule sales rise 12% in final surge

By Faye Brookman

NEW YORK—Chain drug retailers, who had braced themselves for a rocky Christmas, wrapped up the crucial selling season with a last-minute surge that left them with average sales gains of 12% over last year.

"Our stores were crazy just before Christmas," exclaimed a weary Walgreens manager.

Chains including Genovese, American Stores, Fay's, Begley, K & B and Big B agreed the sales pickup began just after the unseasonably warm weather began to cool.

But even on the West Coast, where shoppers seldom experience traditional Yule weather, William Combs, vp administration of Longs Drug Stores, reported the last-minute shoppers were flocking to drug stores.

Retailers felt, once again, that drug stores benefited from

Continued on page 56

Retailers witnessed two tiers of toy buying this year with higher priced video games moving well and medium-priced pegged toys being popular.

LATE NEWS

HIGHER ADVERTISING COSTS, LOWER PRODUCTIVITY in existing stores, greater interest expenses and the depressed Michigan economy contributed to a 15% drop in earnings for fiscal 1982 at Perry Drug Stores. Earnings fell from $3.4 million to $2.7 million. Sales for the 125 retail units rose 27% to a record $244.3 million from $192 million. Fourth-quarter earnings, ended Oct. 31, declined 19% from $689,000 to $560,000, while sales jumped 23% from $50.4 million to $61.5 million.

CHATHAM SUPERMARKETS, operator of six discount drug stores, and A&P have announced plans for a merger of the two operations in the Detroit area. Under the agreement, all stores—Chatham's 34 and A&P's 70—would operate under the Chatham logo and be run by Chatham's current management team.

Walgreens to buy 5-store Colo. chain

DEERFIELD, Ill.—Walgreens has reached an agreement in principle to purchase the five-store Sullivan's Drug Co. in Longmont, Colo.

The purchase, for an undisclosed sum, fortifies Walgreens' position in Colorado, where the chain now operates 32 units. The stores are concentrated in an area surrounding Denver, allowing the Deerfield, Ill.-based chain to maximize return on distribution and advertising costs.

This is in line with Walgreens' successful strategy of building share in already strong existing markets, rather than moving into new ones.

In the Denver area, King Soopers leads the market in pharmacy volume, while Walgreens and Skaggs are other major forces. The five Sullivan's units had estimated 1981 sales of $5 million, while stores averaged about 10,000 sq. ft. in size.

According to a Walgreens spokesman, the location and sizes of the stores are well suited to the chain's mode of operation, and the Sullivan's chain is an example of the company's wish to pursue "quality" acquisitions.

— News in brief —

Revco earnings up 24%

TWINSBURG, Ohio—Revco D.S. Inc. turned in another strong performance in the second quarter ended Nov. 13, as net earnings increased 24% to $12.7 million, or 62¢ a share, compared to $10.2 million, or $50 a share, a year ago. Sales rose to $391.7 million, a 15% gain over last year's $341.4 million. It was the third consecutive quarter in which the percentage growth in profits substantially outstripped sales growth. Revco president and ceo Sidney Dworkin attributed the performance to more competitive pricing, lower interest costs, stronger performance from the former Texas Skillern stores and tighter reins on all costs.

1st Calif. Trak Auto to open in spring

LOS ANGELES—Thrifty Drug will open the first of about two dozen Trak Auto stores in southern California in March or April, according to James Barthe, vp-real estate division. Trak Auto is a joint venture of Thrifty and Dart Drug, which operates 42 similar units in metropolitan Washington, D.C. and Richmond, Va. The exact location and opening date of the first 6,000-sq.-ft. store was not available, but Barthe confirmed that one of the early openings will be in Pasadena.

"Thrifty will put new stores on-stream monthly in Los Angeles and Orange Counties," Barthe said. Eventually, he said, they will be opened in northern California.

Sy Lubman, 'Mr. Generic,' dies at 60

ELIZABETH, N.J.—Seymour A. Lubman, president of the Purepac division of Kalipharma Inc., died Nov. 27, 1982, at the age of 60.

Lubman joined Purepack after a long career in the pharmaceutical distribution system. At Purepac he was instrumental in making multisource products available at lower than brand name prices. He became known as "Mr. Generic" for his role in defending the importance of generic drugs.

Ilacqua to handle Perry merchandising

PONTIAC, Mich.—Joseph Ilacqua has been named to the newly created post of merchandising administrator for Perry Drug Stores.

In his new post, Ilacqua will handle inventory control as well as the administration of merchandising programs. He will be a liaison to other Perry departments and administer policies developed by Perry buyers and merchandise coordinators.

Ilacqua joined Perry last year as director of inventory control from the now-defunct Arnold Drug Store chain, where he was director of retail operations.

AHV names Bowen vp operations

CLEARWATER, Fla.—Richard L. Bowen has been named vp of operations for American Home Video, the subsidiary of the Jack Eckerd Corp.

Bowen, 48, had been executive vp of finance and operations for Harzfelds Department Store of Kansas City, Mo.

William G. Kelley, president of AHV, said, "Dick Bowen brings to AHV 27 years of retail experience in the field of store operations. His appointment is a major step forward for our fast-growing company in all its markets."

SDM names VanCleave marketing vp

TORONTO—Shoppers Drug Mart has announced the appointment of Dalton VanCleave to the position of vice president, marketing.

VanCleave had served as vice president for operations in SDM's British Columbia/Washington region since 1976. Prior to that, he was director of operations in the chain's Prairie Region for two years, and an SDM store owner/pharmacist for two years.

Nostalgia Quiz # 15 winner selected

The winner of $100 in *Drug Store News'* Nostalgia Quiz #15 is Suzanne Shenefelt of Walgreens, Madison, Wis., who gave the correct answer, Sav-On Drug, drug/home center combo. Quiz #18 can be found on page 54 of this issue.

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Vol. 5, No. 1 January 10, 1983

Red Owl/Snyder separated; Beeler heads drug division

MINNEAPOLIS—In an attempt to fortify both its food and drug divisions, Red Owl/Snyder has separated its operations into two groups. As part of this move, Donald Beeler, former sr. vp general manager, has been named president of the 183-store Snyder drug group.

Red Owl/Snyder formerly shared many operational functions, and both divisions were headed by a former sr. vp and regional manager at Montgomery Ward Co., George W. Schmidt. Schmidt has resigned, and the Red Owl operation is now being run by an executive committee.

According to Beeler, the division of the two groups will result in better management of the food and drug group because each will be tailored to serve its specific industry. "We wanted to take advantage of operating possibilities," he added.

In the past, Snyder did not always receive proper attention, according to one company official.

In August, the company be-

Continued on page 55

Donald Beeler will head the 183-store Snyder drug group.

Vendors, retailers cooperate to clear excess candy stock

NEW YORK—Efforts by candy manufacturers and drug retailers, working in tandem to clear out heavy candy inventories left from a dismal Halloween, have been largely successful, and candy sales are again running smoothly.

This was the assessment of several major chain drug retailers contacted by *Drug Store News* a week before Christmas.

After finding candy sales off by as much as 50% in the wake of Trick or Treat scare stories, vendors began couponing selected candy lines in an attempt to move excess inventories out of the stores in preparation for the Christmas selling season.

Mars and Hershey, the two major candy manufacturers, for example, featured hefty consumer coupon deals both in newspapers and on their product packages.

The coupons, plus the fact that shoppers turned to candy as an inexpensive holiday gift idea, have combined to push candy sales back up.

Fay's Drug chairman Henry Panasci, for example, reported "solid" candy sales in his 89 stores in the Northeast. And Douglas Reeves, chairman and president of Indianapolis-based Hook Drug, said candy is sell-

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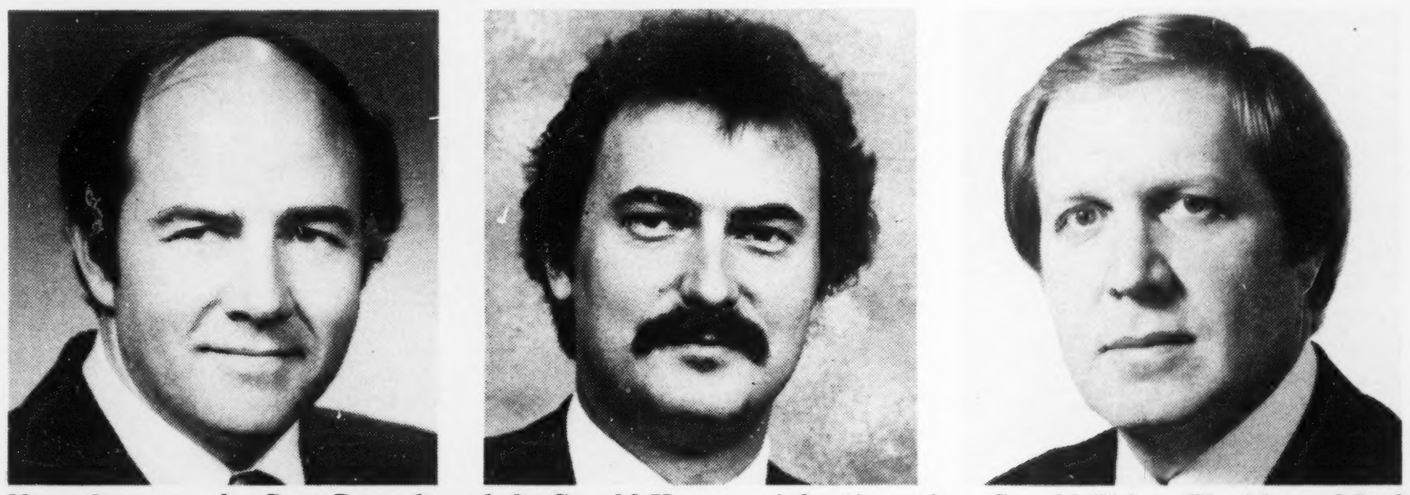


Named new vps by Gray Drug from left: Gerald-Hansen, Atlantic region; Gerald Weber, Florida and Joel Arnold Northern region.

Three named to new posts at Gray Drug

CLEVELAND—Gray Drug Fair has announced the appointment of new vice presidents in its Northern, Atlantic and Florida regions, reaffirming the Ohio-based chain's increasing emphasis on a regional-based operations network.

"The growth and development of Gray Drug Fair and our increasing emphasis on regional needs and opportunities has lead to these changes," company president Al Towle said in announcing the appointments.

The new appointments include Joel Arnold, formerly senior vp for operations of Gray Drug Fair, now vp of the 156-store Northern region;

Gerald Hansen, formerly executive vp of Grand Central Inc., a 32-store Salt Lake City-based chain of variety stores, now vp of the 181-store Atlantic (Drug Fair) region, and

Gerald Weber, formerly director of operations for Shoppers Drug Mart's Southeastern United States region, now vp of Gray Drug Fair's 45-store Florida region. The three regional vps will report directly to Towle.

Robert Osborne and Ed Catterton have been named directors of operations in the Atlantic region and Phil Lagnese has been named director of operations for the Northern region.

In an unrelated announcement, Gray Drug Fair named Betsi O'Neill director of advertising and sales promotion for the 382-store chain.

Post-fair trade in Ky.: Sales up, prices down, margins squeezed

LOUISVILLE, Ky.—What happened after Taylor Drug broke the liquor fair trade law in Kentucky?

Drug chains lowered their prices by up to 10%, increased their sales as well as their market shares, but also felt their profit margins squeezed.

Taylor Drug, SupeRx and Walgreens have created liquor departments in some stores and added space to existing liquor departments in others. All three chains are discounting liquor and advertising the discounts in newspapers or flyers.

The Kentucky Supreme Court in July struck down the 42-year-old law after Taylor Drug challenged it by deliberately lowering prices two years ago in one store near Louisville.

One week after selling the large sizes of several brands at 10% below fair trade prices and advertising other specials below fair trade prices, the Alcoholic Beverage Control Board of Kentucky cited the chain.

Taylor lost its appeal before the liquor board, but the courts ruled fair trade violated Federal antitrust laws. After the ruling, the chain increased its liquor departments from 200 sq. ft. to 350 sq. ft. The typical Taylor store is 9,000 sq. ft.

Taylor reduced prices by 10% on alcoholic beverages in containers of 1.75 liters or more. "Sales are up," according to William H. Harrison Jr., sr. vp at Taylor.

He said the chain advertises the discount in area papers and runs the discount for a week.

Lowered prices

Walgreens lowered prices on all alcoholic beverages in containers larger than a pint, according to a chain spokesman. Discounts range from 2% up. "We've had a strong increase in business, but not necessarily increased profits," the spokes-

Continued on page 55

Chains pour more money into TV advertising

NEW YORK—Drug chains with high concentrations of stores in various markets are increasingly finding television advertising an efficient vehicle to reach consumers.

In the first nine months of 1982, nine drug chains spent more than $1 million on television ads compared to four in the same period a year ago.

Overall, television dollars spent in the first nine months by 15 top drug chains increased 45% to $21 million, up from $14.5 million a year ago, according to the Television Bureau of Advertising. The bureau was reporting on the 75 largest United States markets.

In these markets, total drug store television advertising dollars increased 38% to $25 million in the first nine months.

The Skaggs Co. subsidiary of American Stores was credited with a 525% increase to $1.08 million in the first three quarters, one of the largest percentage increases among drug chains.

"Most of the increase came because we are featuring our food and drug combination stores," said Richard Shanaman, executive vp of American Stores. "We will continue to feature combo stores at the same level on television."

Shanaman added that some of the TV ad dollars came from the print advertising budget.

Topping the list with a record $5.09 million in TV ad spending is Eckerd Drugs. This represents a 14% increase above the $4.45 million spent the same period a year ago. Tom Thumb/Page posed an infinite gain to $641,000 for the first three quarters.

Triple digit per cent increases were also posted by Walgreens, up 654% to $1.15 million, Treasury, up 340% to $656,000 and Thrift, up 302% to $1.14 million.

According to a Walgreens spokesman, although the bulk of the chain's advertising is devoted to newspapers, the firm's commitment to major market expansion is also making television and radio advertising economically attractive.

"1982's budget for electronic advertising was the highest ever, up 118% from 1981's budget. It will continue to expand," says a spokesman.

Walgreens used television advertising in selected markets with excellent results to promote its prescription services, private label products and next-day photofinishing.

Substantial increases in TV advertising dollars were spent by Sav-On, up 93% to $781,000, Peoples, up 81% to $1.33 million and Osco, up 73% to $761,000.

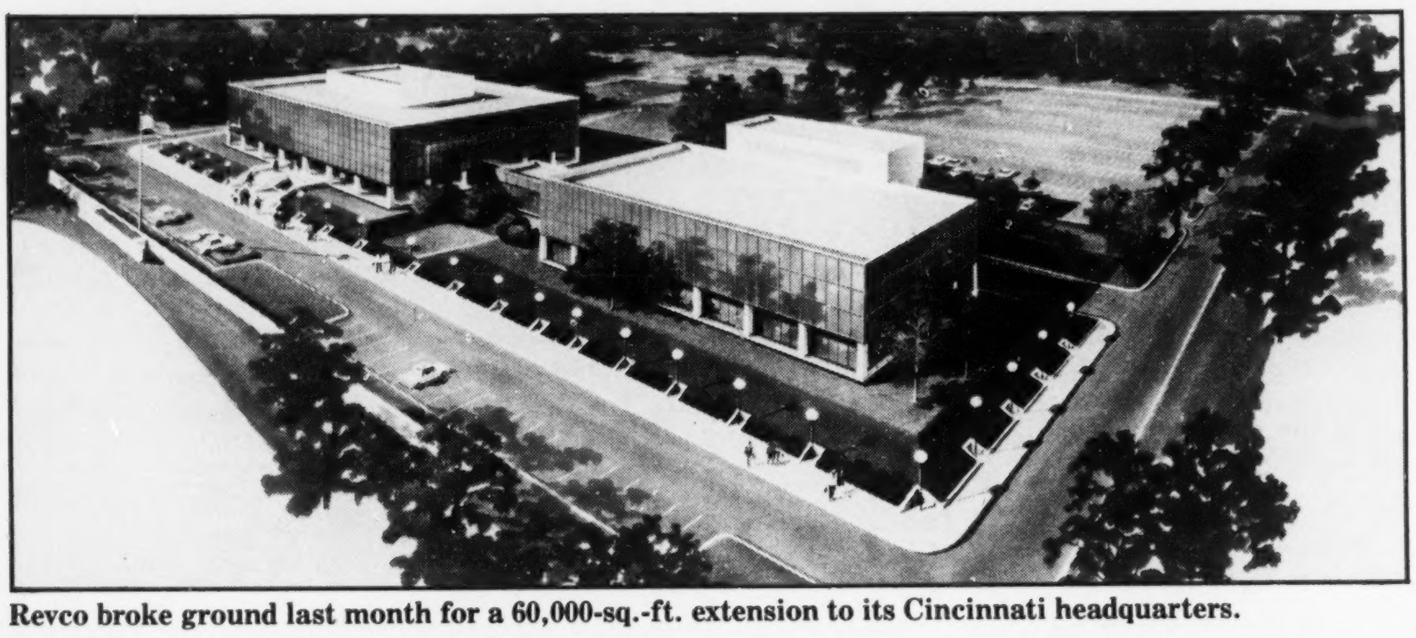
Revco was the only chain among the top 15 that spent fewer dollars than a year ago.

Top 15 drug chain local TV advertisers (Jan.-Sept. 1982)

Chain	Dollars spent (in thousands)	% change
Eckerd	$ 5,085	+ 14
Thrifty	2,292	+ 37
Revco	1,967	– 22
Peoples	1,327	+ 81
CVS	1,302	+ 17
Walgreens	1,154	+654
Longs	1,145	+ 15
Thrift	1,142	+302
Skaggs	1,083	+525
Hook	888	+ 5
Sav-On	781	+ 93
Osco	761	+ 73
Pay 'n Save	742	+ 43
Treasury	656	+340
Tom Thumb/Page	641	Inf.
Total Top 15	$20,966	+ 45

Note: Most co-op activity is credited by BAR to the manufacturer and not to the above local advertisers.

Source: BAR 75-market data compiled by the TVB.



Revco broke ground last month for a 60,000-sq.-ft. extension to its Cincinnati headquarters.

Revco begins new hq. extension

CINCINNATI—Revco Drug Stores broke ground here Dec. 21 for construction of a 60,000-sq.-ft. extension of the chain's corporate headquarters.

The new building, designed by the Cleveland architectural firm Dalton, Dalton and Newport, will be a "twin" of the company's existing 104,000-sq.-ft. home office building, which opened in 1975. The three-level steel and glass structure will enlarge Revco's central office complex by 70%, and is expected to accommodate the chain's growth through the current decade, a spokesman said. It is scheduled to open in March 1984.

Once completed, the two buildings, to be connected by a ground-level corridor, will have the capacity to accommodate 1,000 employees. Approximately 600 management-level and support employees now work at Revco's home office in Twinsburg, a Cincinnati suburb.

Profit-making exercise

All Chicago-area Walgreens stores are taking advantage of the current fitness rage by promoting an exercise bicycle and an exercise rebounder. As a tie-in sale, savvy Walgreens has included exercise attire on hooks located at the same display.

Bectel voted APhA prez

WASHINGTON—The American Pharmaceutical Association's board of trustees has elected Maurice Q. Bectel as 1983 chairman. Bectel, who succeeds James T. Doluisio, is a community pharmacist in Michigan.

Also elected were Rinaldo A. Brusadin, a practicing pharmacist from Ohio and Marily H. Rhudy and D. Stephen Crawford of West Virginia, all of whom will serve two years on the board. Roland T. Lakey, dean emeritus of Wayne State University College of Pharmacy in Detroit, was elected to be 1983 honorary chairman.

The APhA Academy of Pharmacy Practice's Daniel B. Smith Award was given to Carl F. Emswiller Jr. of Virginia for maintaining a practice of pharmacy and civic involvement which has had a "significant impact on the care of patients and the quality of community life."

R. David Cobb of Kentucky, newly elected president of the American Pharmaceutical Association's Academy of Pharmacy Practice (APhA/APP), is a community pharmacist as well as associate professor at the University of Kentucky.

Director of pharmacy at Riverside Hospital in Florida, Raymond W. Roberts, Pharm. D., has been appointed to the executive committee.

Begley opens its 2nd Ky. Radio Shack franchise

MANCHESTER, Ky.—Begley Drug has opened its second Radio Shack franchise in a drug store described as a "virtual replica" of the chain's first unit to contain the electronics department.

Begley opened its first Radio Shack franchise in Crestwood, Ky., last year because the chain wanted to enter the electronics field in a big way, but had been unable to find the right combination of product mix and margin.

"Drug stores didn't know how to sell electronics in years past," said Clarence Fain, vp of merchandising and distribution for Begley.

"We can learn a lesson from Tandy [which operates Radio Shack]," Fain said. Begley hired a former Radio Shack manager to operate the Radio Shack franchise in the Manchester store, which opened on Nov. 8.

Approximately 17% of the 10,000-sq.-ft. drug stores in Crestwood and Manchester are set aside for Radio Shack stereo components, auto stereo equipment, computers and calculators.

Stereo component prices range from $200 to $1,000, and

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Harry Estes to fill new L-F planning post

NEW YORK—Lebhar-Friedman Inc., the nation's largest independent publisher of magazines and newspapers specializing in the retail field, has named Harry Estes as vp of planning and resources, a new corporate post. He joined the firm Jan. 1.

In the new post, Estes will be responsible for directing the company's long-range planning and for general administration of human resources and personnel, according to Lebhar-Friedman president J. Roger Friedman.

"Harry is joining us after having served a full year as our strategic planning consultant. He was responsible for introducing a new long-range planning program to our corporate and business units in early 1982," Friedman said.

Estes is former vp of Planning Dynamics Inc., in Pittsburgh and was vp of finance and president of two printing and publishing companies. He is a CPA and a graduate of Northwestern University. He will reside in Rye, N.Y.

Harry Estes

Robert Doll is named corporate circulation vp

Robert B. Doll

NEW YORK—Lebhar-Friedman Inc., has named Robert B. Doll, former vp circulation for McGraw-Hill, to head corporate circulation for its eight business magazines and newspapers.

Doll, who joined Lebhar-Friedman on Jan. 1, has been vp circulation at McGraw-Hill since September 1979. He held prior posts as director of financial planning and analysis and director of accounting and budgets for McGraw-Hill units and served as a controller in the company's F. W. Dodge research division. He joined

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PHARMACY

Antispasmodic market trends, September 1982

Drug Description	Manufacturer	% Retail Market Share 9/82	% Refill	Avg. Qty.	Average Price 7/80	Average Price 9/82	% Retail Margin 7/80	% Retail Margin 9/82
Tagamet Tabs 300mg	SKF	42.3	58	71	$21.54	$23.29	18.0	14.8
Librax Caps	Roche	9.0	54	60	10.24	11.75	29.9	27.0
Donnatal Tabs	Robins	8.2	48	67	4.35	5.03	62.5	58.3
Combid Spans	SKF	3.9	41	32	10.87	12.53	33.2	31.0
Tagamet Tabs 200mg	SKF	3.4	60	68	19.25	20.44	24.2	20.7
Bentyl Tabs 20mg	Merrell/Dow	3.1	44	56	8.62	9.61	39.4	36.9
Bentyl Caps 10mg	Merrell/Dow	2.9	47	60	7.25	7.99	45.4	42.6
Donnatal Elixir	Robins	2.7	30	—	4.96	5.26	64.9	61.2
Bellergal S Tabs	Dorsey	2.7	55	49	11.40	14.03	32.6	28.9
Carafate Tabs 1gm	Marion	2.5	42	71	—	22.05	—	20.0
Donnatal Extentab	Robins	1.3	50	55	6.34	8.08	50.3	42.2
Pro-Banthine 15mg	Searle	1.2	56	66	11.60	15.55	29.5	25.8
Donnatal Caps	Robins	0.9	51	64	5.02	5.85	59.2	56.4
Pathibamate 400	Lederle	0.7	74	68	14.20	21.93	26.4	18.3
Bentyl Caps 20mg W/Pb.	Merrell/Dow	0.7	50	57	10.03	14.78	34.2	27.2
Bellergal Tabs	Dorsey	0.7	50	63	8.41	10.34	40.5	36.1
Bentyl Syrup	Merrell/Dow	0.7	30	—	—	5.70	—	56.7
Levsin Tabs	Kremers	0.7	38	47	6.90	7.38	47.8	47.3
Kinesed Tabs	Stuart	0.6	57	69	6.64	8.24	49.1	43.2
Hysophen Tabs	Rugby	0.6	46	73	3.74	3.76	86.1	85.6
Top 20		88.8	53	—	—	16.84	—	20.6
Others		11.2	53	—	—	10.70	—	35.8
Total		100.0	53	—	12.31	16.15	28.1	21.8

Margins are based on average wholesale prices

Source: Decision Data

Tagamet garners 42% of antiulcer Rx market as competition grows

NEW YORK—Tagamet continued its dominance of the antispasmodic prescription market, but this therapeutic class is expected to become more competitive as new products are launched.

The market leader, known generically as cimetidine, increased its share of all antiulcer scripts to 42% during September 1982, a gain of 13 share points since July 1980, according to Arlington, Tex.-based Decision Data.

A new product entry—Carafate (sucralfate)—launched during the first half of 1982 got off to an early start by garnering 2.5% of all antiulcer scripts dispensed through the nation's pharmacies. Marketed by Marion Labs and licensed from Japanese pharmaceutical maker Chugai, the product currently has a narrower market potential than histamine antagonists like cimetidine. Sucralfate does, however, heal duodenal ulcers, while cimetidine cures broader conditions related to peptic ulcer.

Indeed, some analysts have positioned sucralfate for use with cimetidine rather than as a replacement for it.

But virtually all investment analysts agreed that cimetidine and sucralfate will both face significant new competition in the United States market from ranitidine.

Ranitidine is a histamine antagonist—like cimetidine—but the new product, which is not yet released, is said to be more potent, longer acting, and easier to use. It's predicted the drug's English developer, Glaxo, will launch ranitidine (branded as Zantac) early in 1983.

Roche, a firm that formerly had a significant share of the antispasmodic market with Librax, should also benefit from the launch of ranitidine. Glaxo and Roche reached an agreement to jointly market the new product in the United States.

The new venture is described as harnessing the sales, professional services, and marketing forces of both firms' United States-based organizations. According to Irwin Lerner, ceo at Roche, the firm's experience

Continued on page 40

Is there life in Rx departments without brand-name OTC drugs?

LYNDHURST, N.J.—Can a leased pharmacy department in a large food store survive without revenue from nationally advertised, brand-name OTC drugs?

Two New Jersey pharmacists, who have set up shop in two Foodtown supermarkets operated by Mayfair Super Markets Inc., a 35-store chain based in Elizabeth, N.J., are betting that the answer is yes.

The reason they can't carry well-known branded products is that they would be competing with their food store landlord, which stocks its own lines of health and beauty aids.

Norman Genzer, who runs the pharmacy here, and Larry Kessler, who operates one in Linden, N.J., both say that the drawing power of the supermarket plus some promotional punch of their own will ultimately lead to the 100 scripts per day they need to make money.

In place of the big name OTC drugs that might be expected to pull customers to the pharmacy counter, the pharmacists have put in an extensive array of vitamins and nutritionals (estimated at 200 running feet), contraceptives and a small selection of sports medicine and first aid items like elastic support bandages. The items have been carefully chosen to give the two pharmacies a highly professional image.

"We try to stick to professionally promoted products," Kessler said, citing several ethical cough and cold products and vitamins.

"My biggest problem," said Genzer, who gave up a money-making pharmacy in a tough Newark neighborhood before coming to Foodtown, "is determining what items I can and can't stock."

Genzer has to avoid duplicating the Foodtown H&BA.

"My merchandise is my own," he says. "It's rung through my register, and the food store's merchandise is rung through their checkouts." Local wholesalers supply most of the needs of the two pharmacy operations.

The Foodtown operation has done its part to help the Lyndhurst fledgling pharmacy fly. They have set up the H&BA aisle (60 linear feet) perpendicular to the glassed-in pharmacy. The aisle acts to funnel traffic right into the depart-

Continued on page 27

The health and beauty aids aisle leads shoppers into Norman Genzer's leased pharmacy department at Foodtown. In-store signing is large and easy to read from any location in the food store.

New Year's revolutions seen for Rx drugs, delivery

Never has the pharmacy profession found itself in a more dynamic environment. With that in mind, here's a bit of crystal ball gazing for 1983.

—New prescription drugs and unique delivery systems will be launched through the nation's pharmacies. In addition to the revolution in genetic engineering represented by human insulin, expect to see new antiarthritics, antibiotics, cardiovascular products, analgesics and antiulcer drugs.

—Older drugs will get a new lease on life as they are reformulated and packaged in easy-to-use delivery systems. (One example: Skin patches that deliver drugs through the skin.) Meanwhile, some cough and cold products will be reformulated and marketed in long-acting liquid delivery systems. Dosing twice a day will become a reality for some OTC antitussives.

—Conversion from prescription to OTC status will accelerate as manufacturers seek F.D.A. approval to pull products from behind prescription counters. Candidates include antiasthmatics, antifungals, decongestants and gastrointestinal drugs.

—Chain drug stores more and more will emphasize their role in home health care, as other types of retail-

Joseph Caputo, RPh
Pharmaceutical Editor

ers nibble away at their basic health and beauty aid business. But they won't be alone. With cutbacks and restrictions shrinking their traditional sources of income, hospitals will test the waters for home health care products and services.

—Traditional distribution channels for pharmaceuticals will become even more fragmented, as more and more supermarkets add pharmacy departments. In addition, mail order prescription services will become an increasing competitive threat to drug stores

—Pharmacy schools will add more business-oriented courses in such areas as communications, computers and human relations skills.

—Automation in such areas as inventory control, order taking, pricing and patient profiles will result in increased efficiency behind the prescription counter. The smart chains will use the time gained to increase pharmacist-patient communication, and thereby enhance their health care image.

—Medicaid programs will continue to cause retailers to tear their hair out, as state administrators scramble to cover more cutbacks in Federal funds. Indigent patients covered by the program will find themselves faced by a number of alternatives. Their copays will increase, fewer refills will be authorized and increased quantities will be requested per script.

—Pharmacies will be selected by bid to provide prescription services in selected areas. And additional actions will be taken to keep a lid on escalating Medicaid costs.

So much for forecasting.

It appears that the old adage—the only certainty is change—is truer today for pharmacy than at any time in the past.

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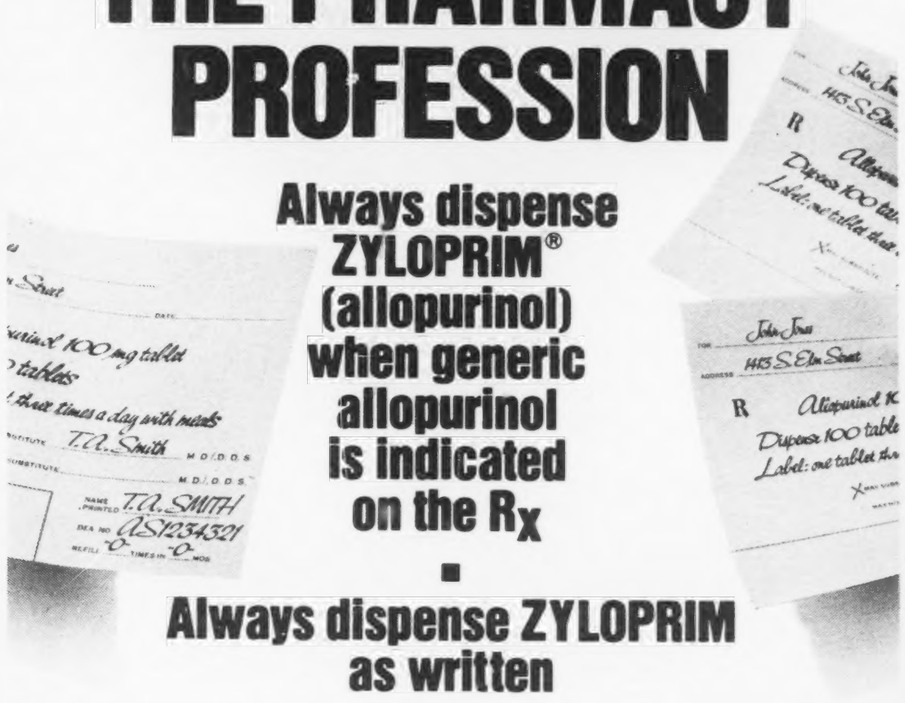

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PHARMACY

Survey shows Rx sales up 24%

Summary statistics of average chain Rx dept.		
	1980	1981
Annual dollar volume	$253,500	$315,400
Per cent margin	34.6%	34.1%
Scripts filled per day	95	102
• New	55%	51%
• Refill	45%	49%
Average script price	$7.72	$8.72
Inventory valuation at cost	$26,414	$29,437

Source: *Drug Store News* Survey

NEW YORK—The average chain drug store pharmacy department racked up $315,429 in 1981 sales, a year-to-year gain of 24%, according to a *Drug Store News* survey.

The survey, which covered chains operating 1,676 Rx departments across the country, also found that the average script price in 1981 reached $8.72, a 13% increase over the $7.72 recorded the previous year.

Other facts disclosed by the survey included the following:

- Although the price of an average script rose 13%, margins declined slightly to 34.1% from 34.6%.
- The average pharmacy increased the cost of its inventory to $29,437 from $26,414 the previous year. The typical department turned over its inventory seven times during 1981.
- The size of pharmacy departments averaged 410-sq.-ft. per unit.
- There was virtually no change in store hours in 1981. The average was 12 hours a day through the week, 11 hours on Saturday and seven on Sunday.

REQUEST
LINE

We get dozens of requests weekly for Jade East. Thomas from Sacramento, Ca. wrote, "This is the only after shave I've ever used and I'm now unable to find it locally. I would be interested in buying at least 48 four oz. bottles."

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Script sales up 1st half of '82

NEW YORK—Prescription volume in the nation's drug stores increased 4.4% during the first six months of 1982, according to David Saks of A. G. Becker.

"Growth is attributed to new products and the fact that more people are taking them for chronic conditions," he said.

During the first half of the year sales of new antiarthritics, cardiovascular drugs, analgesics, and anti-infectives more than offset a poor showing in cough/cold products.

Tagamet gains 42%

Continued from page 21

will complement and strengthen Glaxo's marketing and sales efforts.

The antispasmodic market's attractiveness is the result of its high refill and maintenance medication profile. Refilled scripts average 53% of the total. And sizable drug quantities are often prescribed, since one- and two-month supplies are the rule.

This is especially true of two products: Tagamet and Donnatal Extentabs. According to Decision Data, the two drugs averaged more dosage units per script in 1982 than the previous year. All other drugs in the market recorded lower average quantities dispensed.

More importantly, however, retailer margins have slipped significantly—over six points—on antispasmodic products. A typical pharmacy department's margin on its antispasmodic scripts averages 22%. In 1980, the average was 28%.

This margin decline occurred despite a $3.85 increase in the price of an average antispasmodic script.

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DRUG STORE NEWS

Vol. 5 No. 2/Incorporating **CHAIN STORE AGE Drug Magazine** Published by Lebhar-Friedman Inc./January 24, 1983

Top execs say tighter belts raised bottom lines in 1982

By Mike Dunn

NEW YORK—Chain drug stores rolled with the punches of sharply higher merchandise costs and total expenses in 1981 by reducing inventory, making their staffs leaner, installing modern electronics and increasing advertising.

Going into 1983, chain executives said they have turned around the 1981 situation that led to what the 1982 NACDS-Lilly Digest called the lowest before-tax net profit percentage ever recorded.

The most recent Digest reported the net profit percentage in 1981, the latest year for which figures are available, was 3.6%, 18.2% lower than the 4.4% recorded in 1980.

While some executives said 1982 could be a repeat of 1981, executives at Revco, Rite Aid, Peoples, Begley and Big B said they expect increasing net profits.

At Rite Aid, Alex Grass, chairman and president, said gross margins expanded in 1982 as a result of policies begun earlier. "Because of the improved product mix, including increases in prescription and private-

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Because of the improved product mix, gross margins have increased much more rapidly than the cost of doing business.
—Alex Grass, Rite Aid

Even though chains reflected lower bottom lines, the reduction in expenses will turn that around in the future.
—Sheldon W. Fantle, Peoples Drug Stores

The bottom line has improved in the last six months. It's improved dramatically in the last three months.
—Calvin Hendricks, Pay 'n Save

Supermarket-style scanners improve checkout accuracy and inventory control at Giant Food's new freestanding drug store. Adhesive UPC code labels are attached by store personnel to those products still manufactured without codes.

Scanner equipped

Giant's 1st drug unit beams into 21st cent.

BETHESDA, Md.—Giant Food Inc. has opened the nation's first freestanding drug store equipped with permanent state-of-the-art laser beam checkout scanners.

While several major drug store chains are participating in a research project involving checkout scanners, none has yet installed a scanning-based checkout system of its own.

In all likelihood, the six checkout scanners, combined with a complete pharmacy computer system, will make Giant's first freestanding drug store here a prototype for drug stores of the future.

Accenting the 21,000-sq.-ft. store's core drug store mix are specialty departments, including floral, health foods and gourmet products, designed to appeal to the community's affluent consumer base.

Continued on page 59

Federal rap for drug robberies sacrificed to antitampering win

WASHINGTON—Pharmacy and drug store industry lobbyists traded away one of their primary goals—new Federal penalties to deter pharmacy robberies—in order to secure passage of an antidrug tampering law during last month's lame duck session of Congress.

The legislative horse trade took place during the waning hours of the special post-election session, when Congress was rushing to adjourn for the Christmas holidays.

A spokesman for the National Association of Chain Drug Stores told *Drug Store News* that given these time pressures it appeared unlikely that pharmacy leaders would succeed in prodding Congress to approve both an antitampering law and legislation making armed robberies of drug stores a Federal crime.

Working jointly with supermarket industry lobby groups, NACDS and other drug store organizations reluctantly concluded that a "Tylenol provision" setting stiff Federal sanctions for drug, food and cosmetic tampering was a higher priority than the pharmacy robbery

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Nexxus line seized in four states

HILTON HEAD, S.C.—Federal marshals last month seized $150 worth of shampoo and hair conditioner at a Nash drug store here after the Nexxus Products Co. Inc. alleged the products are counterfeit versions of its line.

The raid was the latest in a series of moves orchestrated by Nexxus to keep its products and counterfeit versions of its products off drug store shelves.

The Santa Barbara, Calif., manufacturer is attempting to limit the distribution of its shampoos and hair conditioners to beauty salons. "It's a professional product that requires professional advice on how to apply it," said Rose Marie Sewell, sales and marketing coordinator for Nexxus.

"Try to convince drug stores not to carry it. They will find the legal fees they will have

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LATE NEWS

TORONTO-BASED SHOPPERS DRUG MART has acquired, for an undisclosed amount, five former Crooks and Target Drug Stores based in Thunder Bay, Ontario. The five stores will be converted to franchised Shoppers Drug Mart stores. One will be the site of the chain's third Health Care Center, SDM's concept for convalescent aids centers.

SPECIAL MEETINGS OF SHAREHOLDERS of the Kroger Co. and Dillon Companies Inc. will be held tomorrow, Jan. 25, to approve the merger of the two companies. As a result of the merger, Dillon would become a wholly owned subsidiary of Kroger, the nation's fifth largest retailer and parent company of SupeRx Drug.

Last Liggett drug store to close after seven decades

NEW YORK—The last Liggett drug store, which graced the 42nd Street side of Grand Central Station for approximately 70 years, is shutting its doors forever at the end of the month.

Joseph Hecht, chairman of the Rexall Square Drug Co., the division of Dart & Kraft Inc., which operates the one store, said, "We've discontinued all of our drug stores. We're not in the drug store business anymore."

The store was once part of a chain of several hundred stores that was begun 70 years ago by Louis K. Liggett, who also started the Rexall agency system. At its peak in the 1950's and 1960's, there were more than 10,000 Rexall franchises.

The Rexall Drug & Chemical Co. formed the basis of Dart Industries (later Dart & Kraft), which began diversifying into other areas and phasing out its drug store operations in 1962.

The store at Grand Central Station had been faced with mounting problems. Stanley Luxemborg, who managed the store for the last 12 years, said, "We just had one of our worst years. Sales are bad. We have high rent and a very high payroll."

Luxemborg said he could not offer discounts because his lease mandated he pay 10¢ of

Continued on page 60

Advertised specials were used at Liggett to sell off merchandise before the end of January.

— News in brief —

Revco names 3rd-party vp

TWINSBURG, Ohio—Sidney Dworkin, president and ceo of Revco D. S. Inc. has announced the appointment of Jerry Wasserman to vp of third-party programs. Wasserman joined Revco in 1959 as a pharmacist in the chain's first Cleveland store and has held management positions in purchasing, store operations and Government affairs. Most recently he was assistant vp for third-party programs.

Zahn acquires merchandising firm

MELROSE PARK, Ill.—The Louis Zahn Drug Co. has acquired PE Systems Inc. of Lisle, Ill., one of the leading design and merchandising consultants to the drug industry. Terms of the transaction were not disclosed. PE Systems is operating as a wholly owned subsidiary of Zahn and has incorporated the wholesaler's store planning and modernization department.

Perry rings up its 25 millionth script

PONTIAC, Mich.—Perry Drug Stores filled its 25 millionth prescription this year, its 25th year of operation.

Prescriptions are being filled at a faster rate than ever before. Robert A. Shapiro, vp of professional affairs said it took the chain 15 years to fill its five millionth prescription and four more years to reach prescription No. 10 million.

This year prescriptions are running 35% ahead of last year's rate, Shapiro said. Scripts are expected to account for 17% of the chain's sales.

Increased consumer awareness of Perry pharmacies as health care centers and a discount price program for senior citizens are considered the reasons for the increase.

Pay Less To Test Nutrition Section

WILSONVILLE, Ore.—Pay Less NW will begin testing a nutrition section in several stores in Washington and Oregon within the next month.

Nutrition will occupy one side of a 24-ft. gondola and will contain H&BA, vitamins and snacks. There will be no refrigerated or frozen foods.

The chain, which operates 145 stores in Washington, Oregon, California and Idaho has not set a time limit on the test.

Chicago Walgreens units sell coupons

DEERFIELD, Ill.—Walgreens' customers in Chicago and Minneapolis have the chance to purchase a coupon book called Savings Spree for $5.95.

The book contains more than 185 coupons worth more than $1,800. In Chicago, the booklet contains specials from Walgreens, Sears, Wards and Dominicks food store. There are 2-for-1 deals, price-off tickets for movies and restaurants and cents-off coupons for goods in the represented retail units.

Walgreens began selling the booklets in October and will continue to do so until Jan. 15. According to a representative at Walgreens, response has been very favorable.

Rite Aid splits stock

SHIREMANSTOWN, Pa.—The Rite Aid board of directors on Jan. 5 declared a 3 for 2 stock split and the equivalent of a 20% increase in the annual dividend.

The stock split will be paid on Jan. 31 to shareholders of record on Jan. 17.

The new quarterly dividend will be 16¢. The increase in the dividend will be the equivalent of raising the annual dividend from 80¢ to 96¢ at the current stock price.

Eckerd names Hollis audit manager

CLEARWATER, Fla.—Charles E. Hollis Jr. has joined the Jack Eckerd Corp. as audit manager.

Hollis, a certified public accountant, had been an audit manager in the Tampa office of the public accounting firm of Deloitte Haskins & Sells.

Winner of Nostalgia Quiz #16 Chosen

Barry Solomon of Sav-On Drugs, Los Angeles, is the winner of $100 in *Drug Store News'* Nostalgia Quiz #16. The correct answer was Peoples Drug Stores. Nostalgia Quiz #19 can be found on page 12 of this issue.

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Vol. 5, No. 2 January 24, 1983

Revco targets remodeling as store expansion slows

TWINSBURG, Ohio—With fewer available sites for expansion foreseen for fiscal 1983, Revco plans to pump money into its most ambitious remodeling program in recent years.

R. Carroll Hudson, Revco executive vp and treasurer, said the chain plans to remodel 200 stores in fiscal 1983, a move that would schedule each store for remodeling once every eight years instead of the previous policy of once every 10 years.

The chain has 1,631 stores and remodeled approximately 160 in fiscal 1982.

"Historically, we've been behind in remodeling because of our acquisitions. There is slowing growth because of less shopping center construction. Slower growth is not our choice," he said.

Revco plans to open approximately 100 stores in fiscal 1983, close to the pace of fiscal 1982, according to Hudson. But he added that the 100 new stores for fiscal 1983 will be a proportionately lower expansion than 100 new stores in fiscal 1982.

At the end of calendar year 1981, Revco had 1,514 stores. The increase to 1,631 was 7.7%. A 100-store addition to the current 1,631 would be 6.1%.

"We'll be channeling the money into remodeling during the period of slower growth. The payoff is there. Stores do better after remodeling," Hudson said.

Despite the slower growth expected in fiscal 1983, Sidney Dworkin, president and ceo, predicted another record year for the chain.

"With our costs under good control, with like-store gains at a high level and with the former Skillern stores making further progress toward profitable operation, we remain optimistic about 1983 and the years ahead."

For the second quarter of fiscal 1983, which ended Nov. 13, same-store sales increased 12.3%. Also for that quarter, prescription sales increased 19.8% on a same-store basis over the equivalent quarter the year before.

The Skillern stores, the 146-store group acquired in February 1981, will cost Revco 3¢ per share in the second quarter, down from a negative 6¢ per share a year ago. "We continue to expect Skillern to contribute positively to earnings."

Giant buys MEMCO's Rx files

LANDOVER, Md.—Giant Foods stores has acquired, for an undisclosed amount of cash, the prescription files of 13 MEMCO department store pharmacies in Washington, D.C. and Baltimore, Md.

The MEMCO stores, formerly owned by Lucky Stores of Dublin, Calif., were acquired recently by the Stop & Shop Companies Inc., parent of Medi Mart, Boston. Stop & Shop has announced it will remodel the stores extensively and reopen them next fall as Bradlees Department Stores. The addition will bring the total number of Bradlees stores to 119 units in eight states.

The MEMCO pharmacies are located in Rockville, Oxon Hill, Camp Springs, Hyattsville, Greenbelt, West Baltimore, Dundalk and Columbia, Md., and in Reston, Fairfax, Annandale, Beacon Hill and Richmond, Va. The 13 stores filled approximately 1,500 scripts per day.

Cool reading display

Thrifty Drug Store in California has come up with a cool way to display hot-selling books. The store displays best-selling paperbacks at the end of an ice cream case. The store also uses the area for shopping basket storage.

Bergen aims growth program toward market in Southeast

LOS ANGELES—Riding a groundswell of record sales and profits—backed by a record cash flow of $18.3 million—Bergen Brunswig will continue its expansion mode.

After the annual shareholder's meeting, Emil P. Martini Jr., chairman and ceo, told *Drug Store News* the drug wholesaler's targeted growth area is the Southeast—"the Carolinas, Alabama, Louisiana and Florida."

"In 1980," Martini told shareholders, "five of the top 10 metro areas were in the Sunbelt. In 1985, it is expected to be seven of the top 10."

In discussing changes in Bergen Brunswig's average account size, Martini said that since the advent of electronic order entry in 1975, the average account size has tripled, with Western chains increasing almost fivefold."

He also noted the swing toward chains in Bergen's operation. "In 1977, 75% of our customers were independents, and 24% were chains. Today, independents have dropped to 53% while chains have increased to 31%."

A parallel scenario is unfolding in prescription drugs. "In 1975," Martini said, "retailers purchased 40% of their drugs direct and 55% from distributors. By 1985, 60% will be bought from distributors."

In announcing a 5-4 stock split, effective Feb. 1, 1983, Martini noted, "Bergen Brunswig has outpaced the industry in its growth rate—15% vs. 11% for the industry. Our total growth objective is 25% a year."

Martini said his sales goal for this fiscal year (ending Aug. 31, 1983) is $1.4 billion. This compares with $1.1 billion in 1982.

In the first quarter of fiscal 1983 (ended Nov. 30, 1982), Bergen made its sizzling fiscal 1982 look like embers. In fiscal 1982, sales rose 26%, net income 27%. In first quarter 1983, sales jumped 44% (from $242 million to $348 million) and earnings rose 31% (from $3.2 million to $4.2 million).

Martini said Bergen's consumer electronics division is outpacing the sales growth of the corporation. This growth was fueled by the acquisition of two consumer electronic wholesalers—Wresco in November 1981, and Commtron in June 1982.

Emil P. Martini Jr.

Martini also said Compuphase, Bergen's modular standalone pharmacy terminal, is now in place in all Bergen Brunswig operating regions.

The system was tested in nine Los Angeles drug stores for three to six months before rolling out to Northeast and Southwest. Jim McLaughlin, Bergen's vp of research and development, says "Compuphase is cost-effective with a minimum of 50 scripts per day."

Continued on page 59

PHARMACY

Thrift Drug offering 3rd-party scripts by mail

PITTSBURGH—Thrift Drug, borrowing a page from parent company J. C. Penney's long mail-order history, has begun filling scripts by mail for some members of the American Federation of State, County and Municipal Employees in Pennsylvania.

The agreement between Thrift and AFSCME may mark the first time that a major drug chain has offered exclusive mail-order pharmaceutical services to third-party plan members.

In contrast, LaVerdiere's ACTION Mail Order Drug Co., in operation at the Winslow, Me.-based chain since 1976, accepts no third-party scripts of any kind.

"It's the way third-party prescription programs are headed," said one knowledgeable chain drug source. "Escalating costs of prescription drugs are forcing third-party script underwriters to look at alternative, less costly forms of distribution."

Thrift Drug's new program is being kept separate from its retail store operation. Rather than set up a mail-order pharmacy in one of its stores, the 350-unit chain has set aside 1,500 sq. ft. to 2,000 sq. ft. in its headquarters complex here. Two pharmacists, one technician and a mail clerk began processing scripts on Jan. 3.

Thrift Drug is a primary but not sole supplier of the union's $5 million drug plan, according to Ernest Sessa, executive director of AFSCME. "Our members have an option," he said. "They can also have their prescriptions filled in community pharmacies." But Thrift is the only source of mail-order scripts for the 100,000 health and welfare employees covered by the union's prescription plan.

Packets of information recommending that union members enroll in the mail-order program were sent out at the beginning of the year. To enroll, members fill out a registration card and then send their original scripts to Thrift's mail-order pharmacy for processing.

To attract members to the new cost-saving program, Thrift and the union have waived the traditional $1 per script copay.

The mail-order program uses Thrift's advanced on-line computer system, which allows patients' eligibility records to be readily retrieved. In addition, each patient's profile is automatically updated.

AFSCME will also save money because Thrift will dispense generic multisource drugs whenever possible.

One industry exec predicts a chain of mail-order prescription pharmacies within five years: "Once the numbers are right, we can stamp scripts out just as efficiently as A.A.R.P.," he said, referring to long-time mail-order suppliers from the American Association of Retired Persons.

The new program reportedly created a stir in Harrisburg, the state's capital, as state pharmaceutical association members began buttonholing legislators and the state attorney general for clarification on the exclusivity of the mail-order program's suppliers.

The Pennsylvania Pharmacists Association claimed since state funds are used to pay the program's costs, the use of one exclusive supplier—Thrift Drug—for all union members' mail-order scripts could be deemed restraint of trade.

According to Carmen DiCello, executive director of P.P.A., "The program originally excluded all pharmacies except Thrift from participation, and it covered the union's entire membership."

Propranolol leads beta blocker sales

ARLINGTON, Tex.—The beta adrenergic blocker market is characterized by a proliferation of new products as well as the dominance of one drug—propranolol (licensed from ICI Ltd. and marketed by Ayerst, a subsidiary of American Home Products). Ayerst continues to hold a whopping 60% share of the category's scripts.

That's the conclusion of a market analysis completed by researchers at Decision Data here.

Introduced in 1967, propranolol HCl was the first beta blocker on the market. Seniority, line extensions, and broadened usage indications produced impressive statistics for the brand. Propranolol captured the top three slots in the market and placed five entries among the top 10 listings.

The drug's approved indications are broad and include hypertension, arrhythmias, angina and migraine headache.

Newest indications for beta blockers center on their use in the reduction of mortality and reinfarction among post-myocardial infarction patients. To date only timolol (MSD's Blocadren) is cleared for treatment of this condition, but clinical trials are in progress to measure the efficacy of other drugs in this class for these conditions. Propranolol and metoprolol (Geigy's Lopressor) are expected to receive approval for this indication shortly.

Average prescription prices for beta blockers are above the industry average. A typical beta blocker costs consumers $14.34 per script. The industry average totals $9 per script.

Part of the explanation accounting for the above average prices lies in the quantity of product dispensed. For example, an average script is written for 82 dosage units, or approximately a month's supply.

The survey also revealed that cost to a pharmacy of selected

Continued on page 29

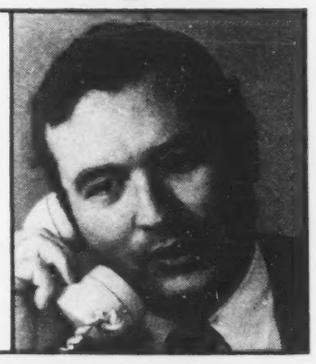
Beta Blocker market, November 1982

Drug description	Manufacturer	% Retail market share	% Refill	Avg. qty.	Avg. price	Avg. margin
Inderal 40mg	Ayerst	20.24	76.1	95	$13.54	21.6
Inderal 20mg	Ayerst	16.20	72.6	98	10.84	29.3
Inderal 10mg	Ayerst	15.53	74.9	102	8.48	32.2
Lopressor 50mg	Geigy	14.45	73.7	73	13.60	25.7
Tenormin 50mg	Stuart	9.01	62.9	46	19.10	22.9
Corgard 40mg	Squibb	6.23	68.3	48	16.49	23.2
Inderal 80mg	Ayerst	4.08	76.3	93	21.32	18.1
Lopressor 100mg	Geigy	4.02	73.1	76	23.30	17.3
Inderide 40-25	Ayerst	3.23	71.3	70	15.02	26.9
Corgard 80mg	Squibb	2.35	68.8	50	21.54	19.1
Tenormin 100mg	Stuart	1.33	62.6	43	24.73	18.0
Inderide 80-25	Ayerst	1.18	70.6	71	19.80	21.6
Blocadren 10mg	MSD	1.12	64.1	66	18.43	22.6
Timolide 10/25	MSD	0.43	65.2	58	19.06	22.6
Corgard 120mg	Squibb	0.38	66.7	53	28.51	14.0
Corgard 160mg	Squibb	0.10	65.5	48	31.56	14.5
Blocadren 20mg	MSD	0.10	62.1	57	27.51	16.6
Visken 5mg	Sandoz	0.03	0.04	44	10.04	37.5
Visken 10mg	Sandoz	0.01	0.0	66	18.05	26.0
Total		100.00	72.4	82	14.34	23.8

Source: Decision Data

Pharmacies to benefit from hospital cost-containment

Joseph Caputo, RPh
Pharmaceutical Editor



What's been increasing at the rate of 19% a year since 1979?

Stumped? Here's another clue.

What medical provider has a cost variance of 600% for a day's treatment?

If you chose hospitalization, you selected the right answer.

According to records being distributed by the department of Health and Human Services Secretary Richard S. Schweiker, the Government pays some hopsitals $1,500 to treat heart-attack patients, but pays others $9,000 to treat the same condition.

Yet, there's apparently no difference in the quality of care between the two institutions.

To make matters worse, hospital costs continue to escalate. In 1982, room and board fees rose almost 14%, or about three times the overall rate of inflation.

The underlying cause of these galloping price increases traces to a simple fact: hospitals are reimbursed by the Government for whatever amount the hospital spends. To alleviate this crisis, the Federal Government plans to change the formula by which Medicare reimburses hospitals.

In short, Schweiker's proposal provides an incentive for hospitals to be more business-like in their behavior (translate business-like to cost-conscious).

The proposal submitted by Schweiker outlines Medicare fees in advance, i.e., a predetermined amount of money would be paid for the detection and treatment of approximately 467 different standardized diagnoses. Savings resulting from the proposals are estimated at $2 billion by 1984.

Since Medicare spends some 70% of its $56 billion budget on hospitals, you may say it's about time some ceilings were placed on such an inflationary program.

There's little doubt the proposal will deflate price increases. Similar ceilings on the prescription portion of the Medicaid program produced a decline in the percentage of Medicaid funds spent on drugs—it was 6.8% of $12.3 billion in 1975, but declined to 5.7% of $23.3 billion in 1980.

If a parallel situation develops—one where the Medicare program mimics the Medicaid prescription program—there will be trouble ahead for hospitals, their employees, and their patients.

Private-pay patients will end up subsidizing the shortfall in hospital revenues which results when established hospital price ceilings don't keep pace with the escalating costs of goods and services being provided by the institution.

Hospital employees (not a particularly overpaid group of people to start with) will also see their paychecks frozen, or, at best, just not keeping pace with inflation.

And some smaller hopsitals with a sizable Medicare patient mix will be shuttered. Other hospitals will eliminate treatment for all but the most "profitable diagnoses." Research and teaching—a primary but costly function of some hospitals—will also suffer setbacks or increase tremendously in cost because they will have to show a profit.

Secretary Schweiker's proposal will also have a two fold impact on drug stores. Fewer smaller hospitals will remain open so neighborhood pharmacies will be thrust into the limelight, perhaps as the only provider of health services in selected areas. Still other hospitals may give up selected clinic services (but remain open) thereby creating an opportunity for nearby pharmacies to provide additional services which the hospital elected to drop.

On the other hand, some large, well-financed hospitals with a surplus of graduate student talent may eye the provision of expanded pharmaceutical services as a potential moneymaker.

Indeed, survey results indicate that hospital pharmacies are expanding their clinically oriented pharmaceutical services. For example, an ever-increasing number of hospitals now provide drug therapy consultation to physicians, drug utilization reviews, and pharmacokinetic services. And almost 90% monitor patient profiles and drug interactions. With services such as these being provided and Medicare reimbursing their costs, it's only natural that patients continue to patronize that which they know.

By every stretch of the imagination, the decade of the 80's will see progressive hospitals battling it out with progressive neighborhood pharmacies.

PHARMACY

McKesson re-enters pharmacy terminal sales

SAN FRANCISCO—After being out of the pharmacy terminal business for two and a half years, McKesson Drug has returned with 3 P.M.'s Pharmaserv stand-alone system.

Under the marketing agreement between 3 P.M. and McKesson, 3 P.M. will be responsible for retail sales and installation, as well as training pharmacists. Although McKesson will assist 3 P.M. on its sales presentations, McKesson's primary role will be that of distributor.

Digital Equipment Corp. will service the hardware; 3 P.M. will service the software.

Explains Tom George, director of services for McKesson Drug: "The Pharmaserv system has communications capabilities, and on a weekly basis third-party claim information is transmitted to 3 P.M.'s host computer in Michigan. Price update information is transmitted back to the pharmacy."

At a recent sales meeting, attended by McKesson representatives from Seattle, San Francisco, and Los Angeles, McKesson laid the ground work for an internal management network on sales and distribution of Pharmaserv. California, Washington, and Oregon will be the first areas of distribution.

Pharmaserv will be sold—not leased. The price is less than $20,000. "The retailer is buying a computerized pharmacy management system," says Tom George. "The system includes hardware, software, and installation. The service hardware program by Digital Equipment Corp., with one-day response time, will cost the retailer approximately $135 per month."

McKesson's prior experience with pharmacy terminals—an agreement with National Data Corp. (NDC) covering on-line, leased equipment—ended in the summer of 1980 when NDC terminated the contract. The termination occurred after NDC had installed more than 300 Econoscript terminals in 40 states.

McKesson's role with NDC was to sell and install Econoscript. With 3 P.M., McKesson's primary role is to market the Pharmaserv system and render support services to both 3 P.M. and the retail druggist.

McKesson's re-entry into pharmacy terminals follows on the heels of two new services: Econoprice and Econoclaim.

McKesson designed these two services for the drug retailer who wishes to grow into a full pharmacy system on a step-by-step basis rather than take the full plunge at one time. Tom George notes that "only 10% of pharmacies now have some type of pharmacy terminal, and one of the reasons is the cost."

George adds that "Econoprice and Econoclaim are the drug retailer's two most viable alternatives to a computer system because they embrace the two services pharmacists need most: consistent pricing and third-party capability."

Econoprice went national in May 1982, and in the first 90 days 1,000 retail pharmacies signed up. Since then, almost 1,000 additional independents and small/medium chains have been added.

Econoprice costs $39 per month per store. Under this program, the pharmacist submits his pricing formula to McKesson, which then calculates the retail price for each item. Prices are printed on stickers accompanying the order to the pharmacy and the stickers are affixed to each bottle.

Econoclaim was launched in August 1982, and has been installed in more than 100 stores in seven states. McKesson projects 600 installations by the end of 1983.

Econoclaim has an Apple computer chip which allows it to hold up to 650 Rx claims at one time.

Propranolol still leads market

Continued from page 23

beta blockers varies significantly. Metoprolol and atenolol are positioned as price-oriented brands for the treatment of hypertension. Literature indicates a month's supply averages at least 10% below the cost of a similar quantity of product produced by their closest competitor.

However, cost to consumers and its corresponding impact on retailer margins are another matter. Dollar margins returned to retailers average 24% for drugs in this market. Some of the highest dollar returns are generated by the 50mg and 100mg strengths of atenolol (Stuart's Tenormin), which yields margins of $4.37 and $4.45, respectively. Metoprolol 50mg and 100mg place second with margins of $3.50 and $4.03.

With refills accounting for 72% of all beta blocker scripts, these drugs present a typical maintenance medication profile, i.e., below average per cent margins.

And with such an attractive profile (heavy usage), it's not surprising that the category continues to attract new marketers. The newest product, pindolol (Sandoz's Visken), recorded a miniscule market share, but these figures reflect only November 1982 scripts—the earliest days after the drug's launch.

At least two other products waiting in the wings include oxprenolol and alprenolol. Both have shown effectiveness in the treatment of hypertension, angina and arrhythmias.

Total Rxs Dispensed in Millions

Month	1982	1981	% Change
January	117.1	132.3	−11.5
February	113.3	118.9	− 4.7
March	127.1	130.5	− 2.6
April	121.4	121.5	− 0.1
May	123.6	125.3	− 1.4
June	115.2	120.3	− 4.2
July	115.1	113.9	+ 1.1
August	124.2	110.5	+12.4
September	124.2	110.4	+12.5
October	132.9	122.3	+ 8.7
November	130.7	120.4	+ 8.6
11-month Total	1,345.1	1,330.2	+ 1.1

Source: PDS

Rx sales show rise

PHOENIX—The number of prescriptions dispensed in 1982 was slow getting off the ground, but showed gains over 1981 figures in the second half of the year.

These statistics, from Foremost McKesson's research branch, Pharmaceutical Data Services, were determined by monitoring a sample of pharmacy computer terminals and projecting these figures.

The numbers presented here compare, on a month-to-month basis, the total number of prescriptions dispensed nationally in 1981 to those filled in 1982.

Answer to Nostalgia Quiz:
Fred F. Canning of the Walgreen Co.

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PHARMACY

37% of consumers consult their pharmacists—F.D.A.

WASHINGTON—Thirty-seven per cent of consumers receive verbal information about prescription drugs from their pharmacists, compared to 65% who receive such information from physicians, according to a consumer study released by the Food and Drug Administration. Twenty-seven per cent said both pharmacists and physicians provide information.

The two types of information provided most frequently are how often to take a drug and how much to take. That information is offered more often than it is requested by patients. Only 4% of the consumers who got information had actually asked for it.

Other types of information provided included precautions about certain drugs (third on the list); number of renewals available (fourth), and mentions of a drug's side effects (fifth).

The survey also showed that 15% of the patients who received written information got it in a pharmacy, compared to 6% in doctors' offices. Two per cent received written information from both sources.

Where do patients receive verbal information on their prescription drugs

	Pharmacist/ someone in pharmacy	Physician/ someone in doctor's office	Both*
How often to take	26%	61%	19%
How much to take	25	59	19
Precautions	16	32	9
Renewals available	15	31	9
Possible side effects	11	26	4
Total percentage of patients receiving information on one or more of the above	37%	65%	27%

*The percentages in the "both" column are also included in the physician and pharmacist columns.

Source: F.D.A.

Other sources from which consumers receive information about drugs include friends/relatives/neighbors (14%); reference books (13%); magazines (4%); newspapers (3%), and television (3%).

These represent the preliminary findings of an F.D.A. sponsored consumer drug information survey conducted by Chilton Research Inc. Chilton interviewed 1,104 respondents, age 18 or over, who had prescriptions filled within four week of being contacted. Phone calls were placed to 8,000 households in order to obtain the 14% response rate.

Experts' recommendations

A primer for advising patients

NEW YORK—Here are some basic guidelines which may help pharmacists promote an information exchange with patients. According to Gail Quattlebaum and Richard Miller, communications skills trainers for Burston-Marsteller, pharmacists should:

- Select appropriate settings for patient consultations. The more private the setting, the more effective the consultation. Excessive noise, interruptions or physical barriers, such as pharmacy counters, can inhibit candid conversation.
- Be aware of attitudes and feelings that can influence communications. Displaying open-mindedness will gain the patient's trust.
- Know the patient. Beforehand review the patient's medication records. During the interview, carefully observe the patient's nonverbal communications.
- Achieve professional image. Look and talk the part of a health care professional. Pharmacist's appearance and the appearance of the pharmacy affects the patient's confidence.
- Put the patient at ease. An introduction and explanation of your purpose establishes patient rapport, as does a courteous relaxed tone in the interview.
- Demonstrate understanding and provide reassurance. Showing sensitivity and concern about the medical condition can stimulate discussion of critical information and raise a patient's awareness of personal responsibility in treatment. Convey empathy by reflecting on what was said in terms of your own experience.
- Use a positive approach. The effective consultation should be nonthreatening, but instructive. Recommendations that offer assistance and additional information are more likely to result in desired behavioral changes.
- Listen actively, and avoid distractions. To elicit information and ensure understanding, listen carefully and question appropriately.
- Adapt language to a patient's level of understanding. Listen to the patient's vocabulary and speaking patterns to gauge his level of understanding, then phrase your answer appropriately to ensure maximum comprehension.
- Close the meeting with a summary and next-step agreement. By agreeing to the next steps in the therapeutic regimen, the patient assumes equal responsibility for treatment.

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PHARMACY

Drug price hikes slow along with inflation

Increased prices obtained by producers of prescription drugs*

	12 months thru Nov. '82	1 month thru Nov. '82
Total of 21 Rx Drug Categories	+11.7%	+0.5%
Analgesics	+20.3	+0.4
Psychotherapeutics	+19.3	+3.1
Dermatologicals	+16.7	−0.6
Miscellaneous Rx Drugs	+16.2	+0.3
Antispasmodics	+11.7	no chg.
Cardiovasculars	+11.5	−0.3
Ophthalmics/Otics	+10.4	no chg.
Nutrients/Supplements	+10.0	NA
Systemic Anti-infectives	+ 5.8	+0.4
Diuretics	+ 3.0	no chg.
Cancer Therapy	NA	+4.3
Muscle Relaxants	NA	+2.9
Central Nervous System Stimulants	NA	+1.8
Bronchial Therapy	NA	+0.8
Hormones	NA	+0.2
Anticoagulants	NA	+0.1
Antiarthritics	NA	no chg.
Contraceptives	NA	no chg.
Cough and Cold	NA	no chg.
Sedatives	NA	NA
Vitamins	NA	no chg.

*Manufacturers' prices excludes taxes and freight charges.

Source: Bureau of Labor Statistics

NEW YORK—The worst of inflation may be over for the nation's drug stores, as price increases reported by producers of prescription and over-the-counter drug products trended lower during November.

According to the Bureau of Labor Statistics, month-to-month price increases for the combined (Rx and OTC) drug categories advanced only 0.4% in November. And prices on a year-to-year basis (from December '81 through November '82) totaled 10.3%.

Producers of prescription products led the advance with a monthly increase of 0.5% and an annual increase of 12%. The year-to-year advance was paced by four prescription product groups, each of which registered price upturns greater than 16%. These groups include analgesics +20.3%, psychotherapeutics +19.3%, dermatologicals +16.7%, and a miscellaneous prescription category +16.2%.

Four other groups—antispasmodics +11.7%, cardiovasculars +11.5%, ophthalmics/otics +10.4%, and nutrients/supplements +10%—were the other drug categories that registered double-digit price advances to retailers and wholesalers over the 12-month period.

Since the index is relatively new, annual comparisons were not available for 11 of the 21 prescription drug categories monitored.

Additional information available on a month-to-month basis revealed that price hikes for cancer therapy (+4.3%), psychotherapeutics (+3.1%), muscle relaxants (+2.9%), central nervous system stimulants (+1.8%), and bronchial therapy (+0.8%) continued their upward climb.

But virtually all other prescription drug categories recorded unchanged month-to-month price changes, or increases of 0.4% or less.

50 top-selling scripts

NEW YORK—*Drug Store News* has obtained a list of the top prescription products filled in drug stores during 1982.

These top 50 items account for approximately 41% of all new scripts filled in the United States. New products appearing for the first time include Feldene and Procardia (Pfizer) and Tenormin (Stuart). In order of performance, the items are:

1. Dyazide Capsules
2. Tagamet Tablets 300mg
3. Valium Tablets 5mg
4. Lasix Tablets 40mg
5. Tylenol W/Codeine 30mg
6. Slow K Tablets 600mg
7. Darvocet-N Tablets 100mg
8. Lanoxin Tablets 0.25mg
9. Lanoxin Tablets 0.125mg
10. Inderal Tablets 40mg
11. Dilantin Kapseals 100mg
12. Aldomet Tablets 250mg
13. Motrin Tablets 400mg
14. Dalmane Capsules 30mg
15. Empirin 325 W/Codeine 30mg
16. Zomax Tablets 100mg
17. Inderal Tablets 10mg
18. Keflex Pulvules 250mg
19. Inderal Tablets 20mg
20. Lopressor Tablets 50mg
21. Feldene Capsules 20mg
22. Lo/Ovral 21 pak
23. Motrin Tablets 600mg
24. Actifed Tablets
25. Diabinese Tablets 250mg
26. Bactrim D.S. 28 pak
27. E.E.S. Filmtabs 400
28. Ativan Tablets 1mg
29. Premarin Tablets 1.25mg
30. Valium Tablets 10mg
31. Dimetapp Elixir
32. Synalgos-DC Capsules
33. Lasix Tablets 20mg
34. Ortho-Novum 1/50 21
35. Indocin Capsules 25mg
36. Dimetapp Extentab
37. Monistat-7 Vaginal Cream
38. Hydrodiuril Tablets 50mg
39. Ovral 21 3 pak
40. Premarin Tablets 0.625
41. Keflex Pulvules 500mg
42. Procardia Capsules 10mg
43. Naproxyn Tablets 250mg
44. Amoxil Suspension 250mg/5ml
45. Lomotil Tablets 2.5mg
46. Septra-DS 20 pak
47. Tenormin Tablets 50mg
48. Librax Capsules
49. Clinoril Tablets 200mg
50. Aldoril-25 Tablets

Source: Decision Data

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CHAIN STORE AGE
MERCHANDISER
Video eats up traditional toy sales—p. 3

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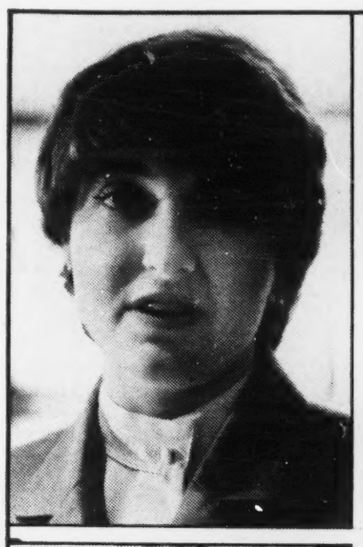
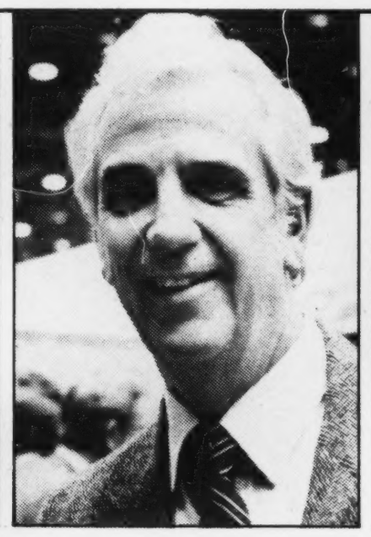
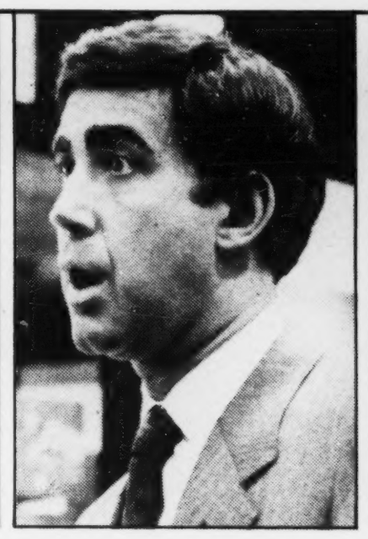
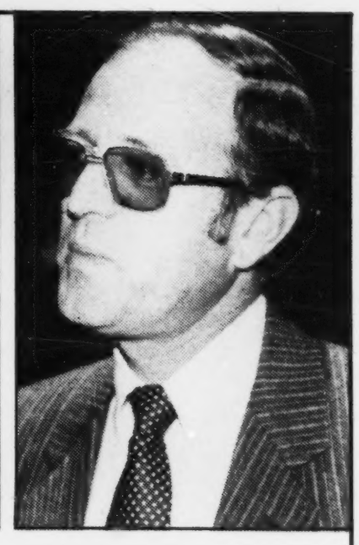
DRUG STORE NEWS

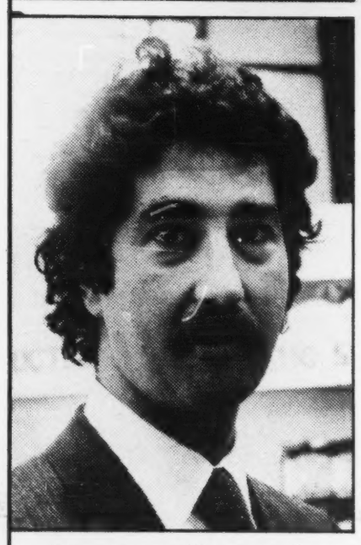
Vol. 5 No. 3/Incorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./February 7, 1983











Top executives and buyers surveyed the floor at the Housewares Show in search of fresh items to replenish their stocks. They included: (l. to r., top row) Ann Manship, buyer for Hook Drugs; Jim Harrison, president Harco Drug; Jim Salmanson, vp Adams Drug; Harlan Posen, buyer for Thrifty Corp., and (above) Elliot Dworkin, vp of Revco.

Housewares buyers line up for telephones

By Faye Brookman

CHICAGO—The biggest items of interest to drug store buyers at this year's Housewares Show weren't even housewares products.

The real show-stoppers were telephones and accessories, which are drawing attention because of the new law requiring consumers to own their own phones by 1984.

Phone vendors, along with just about every other manufacturer, were happy to see chain drug buyers who, with clean inventories and cash on hand, were ready to replenish their stock.

Drug stores, the retailers said, enjoyed a better Christmas sell-through than other retail segments.

"When I see vendors of companies that are hard to get interested in drug stores smiling at me, I know we had a good sell-through," chuckled Peoples Drug's Norm Wendrow.

Optimism was evident on the floor, and chains were interested in a variety of items. For example, Sidney and Elliot Dworkin from Revco walked both the Transworld and N.H.M.A. show looking for promotional and staple items.

"We're in a good inventory position and we're looking at everything while we're here," Elliot Dworkin, vp of the Twinsburg, Ohio-based chain, said.

Unfortunately, most chain officials were pressed to name any really new and exciting products found at the show—other than phones. Yet, they maintained it was important to attend to gauge the mood of the industry and to insure they didn't miss a potentially hot item.

Continued on page 48

CVS to enter Calif. Rx field

By Allen Mundth

LOS ANGELES—Consumer Value Stores (CVS) will open its first West Coast drug store next month in what is expected to be a multistore test for the Rhode Island-based chain of 467 health and beauty aid stores and pharmacies.

A subsidiary of the diversified retailer, Melville Corp., CVS currently operates 16 4,000- to 5,000-sq.-ft. health and beauty aid stores in 15 southern California communities. The 9,100-sq.-ft. CVS drug store, a prototype unit, will open in mid-March in the Lakewood Square Shopping Center, a new 12-acre, 32-store development 20 miles southeast of Los Angeles.

A new, 44,000-sq.-ft. Safeway supermarket next door to the CVS pharmacy location does not contain a pharmacy department, but does have a two-sided 80-ft. aisle reserved for health and beauty aids, as well as 40 ft. of pegged cosmetics and eye care merchandise.

The decision to open the drug store follows more than a year of study by CVS executives into whether the chain could make a swift and successful entry into the highly competitive southern California drug store market.

The new California drug store signals a major change for CVS, which in the past has concentrated the bulk of its expansion efforts in areas where pharmacists are not represented by professional unions. How its entry into the heavily organized West Coast drug store market will impact CVS' nonunion position is uncertain.

As with the existing health and beauty aid stores, merchandise for the new drug store will initially be shipped cross-country from CVS' Woonsocket, R.I., distribution center. However, if the drug store

Continued on page 47

1982 drug store sales rise 5.1% to $34.7B

WASHINGTON—Drug store sales for 1982 increased 5.1% to $34.7 billion, up from $32.7 billion in 1981, according to the U.S. Commerce Department.

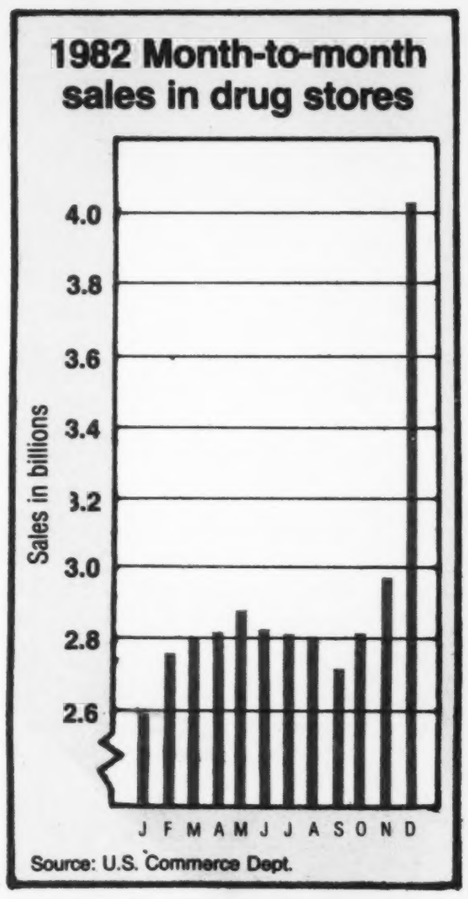
The figures are preliminary and will be revised in March.

The increase in drug store sales was bigger than the 3% increase reported by all retailers.

Strong unadjusted December sales of $4.08 billion, which were 6.3% better than the December 1981 figures, helped account for the total.

Although December traditionally is the biggest month for all retailers, it was especially good at drug stores. Sales increased 40.2% from November 1982 to December 1982.

That increase was approximately twice as big as the 20.4% reported by all retailers for the same period.



Walgreens aims for No. 1 in Rx

By Faye Brookman

CHICAGO—Walgreens is setting its sights on becoming the country's leading prescription dispenser.

That was one of the messages given to shareholders by chairman Charles R. Walgreen III and president Fred F. Canning during the annual shareholders' meeting here.

The top management team said pharmacy will play a crucial role in the chain's drive to reach $3 billion in sales by 1985 because prescriptions are one of drug stores' key traffic draws.

"Believe me—we don't take that pharmacy business for granted," the chain's president said. "We intend to keep it, improve it. What we really want is to be the No. 1 prescription supplier in the country." In 1982, prescription sales increased 27% and accounted for 16% of total volume.

Walgreen added the pharmacy will become even more important with the introduction of new drugs. He pointed out there have been no less than 50 new drugs launched since 1980 with at least five times that number in the pipeline.

"Chain drug stores fill 1 out of every 3 of these prescriptions, and we expect to get even more of this business in the future," Walgreen said.

Walgreen and Canning both said the chain's pharmacy computer system, Intercom, is one of the factors that will push the Rx business to new heights. Presently, 500 stores are online, with plans calling for the system to go chainwide by January 1984.

"There's no doubt that Inter-

Continued on page 47

LATE NEWS

SIDNEY DWORKIN, president and ceo of Revco D.S. Inc., has been named by the company directors to the additional post of chairman of the board of directors, filling the vacancy left by the death of Cleveland attorney Lee C. Howley Sr. Howley had served as chairman since 1969.

PERRY DRUG STORES reported a 15% decline in net earnings for the fiscal year ended Oct. 31. According to officials, the decrease in profits to $2.9 million resulted from lower-than-projected seasoned store sales (units open at least one year); higher advertising costs in a recessionary environment, and greater interest expenses. Sales rose 27% to $244.3 million. End of year store count was 125, a net gain of eight units.

Lilly plans limited Oraflex redistribution

ROCKVILLE, Md.—Physicians, but not drug stores, will begin receiving limited quantities of Oraflex this month under a heavily restricted new redistribution program launched by Lilly.

The firm's widely prescribed antiarthritis drug, which was withdrawn from the market last August at the peak of an international controversy, will be supplied initially to "a very limited group of physicians" estimated by the Food and Drug Administration at "fewer than 100."

F.D.A. officials who approved the Lilly plan under a new "treatment IND [investigational new drug]" said that only M.D.'s who participated in the original Oraflex premarket testing program would be eligible to receive the drug.

"These physicians will treat only patients who participated in the clinical trials and are not responding adequately to other therapies," F.D.A. said.

In approving limited distribution of Oraflex as an IND, officials at the agency explained that Lilly will not charge arthritis patients for the product, but that they "will be responsible for the extensive costs of regular and continuing tests that may signal adverse effects early."

Under the terms of the IND approval, Lilly must receive assurances from M.D.'s that these tests will be conducted before supplying them with Oraflex.

Officials at both F.D.A. and

Continued on page 48

— News in brief —

NHMA announces show date changes

CHICAGO—The National Housewares Manufacturers Association has announced another change in the Housewares Show dates for 1984. Instead of March 25-29, the show will be held April 8-12 and instead of Oct. 8-11, the second show will take place Oct. 9-12.

Marks named Merchandiser of Year

CHICAGO—David Marks, vp of division sales, was named Merchandiser of the Year by Affiliated Drug Stores. Phil Weinstein, president, and Dan Herrmann, this year's chairman of the New York buying group, made the presentation at a luncheon held during the NHMA Housewares Show.

F&M moves into former Woolco unit

VILLA PARK, Ill.—F&M, the Michigan-based low-margin operator, has taken advantage of a site left vacant by the closing of Woolco units with the recent opening of its newest store here. The store, F&M's ninth, is the first time the company has branched into the Chicago area. In addition to units in Michigan, F&M operates in Indianapolis and Toledo.

Big B continues combo expansion

BIRMINGHAM, Ala.—Big B has opened its second B-Mart food and drug combination store in Clanton, Ala., and construction has begun on the third combo unit.

The third store, which is a replica of the first, will open in May in Leeds, Ala. The combo stores are in new 32,000-sq.-ft. buildings that have 3,500 sq. ft. of storage space.

One third of the selling space in the stores is considered the drug section and the remaining selling area is considered the food section.

That makes the drug section of B-Mart slightly larger than the 9,000-sq.-ft. prototype Big B drug stores, although some Big B drug stores range up to 20,000 sq. ft.

The B-Mart in Clanton replaced a regular Big B drug store.

The chain opened its 82nd drug store in Evergreen, Ala., in January, the last opening of the fiscal year. Big B plans to kick off the new fiscal year in February with a traditional drug store in Mobile, Ala. It will be the ninth store in that market.

Walgreen Co. stock split 2-for-1

DEERFIELD, Ill.—Walgreen Co.'s board of directors announced a stock split during the shareholders' meeting. The 2-for-1 split will be distributed to shareholders on record as of Jan. 28, 1983.

The board also declared a regular quarterly cash dividend of 15¢ per share, based on the new shares. The last stock split was announced 12 months earlier.

NACDS sponsors resource meeting

ALEXANDRIA, Va.—Inexpensive compensation programs, selecting and retaining store clerks, maintaining non-union status and minimizing unemployment compensation costs are among the topics to be discussed at NACDS' 1983 Human Resource Management Conference Feb. 14-17 at the Don CeSar Beach Resort in St. Petersburg, Fla. The featured speaker, David L. Schmidt, president of Management Development Associates, Kansas City, Mo., will talk about sources of inexpensive compensation.

Morson, McKesson senior vp retires

SAN FRANCISCO—John Morson, senior vp-industry affairs for the Foremost-McKesson Drug & Health Group and 1981 president of the National Wholesale Druggists' Association, has retired.

Morson, who had been with McKesson for 36 years, held various marketing and manufacturing positions.

Winner of Nostalgia Quiz #17 chosen

The winner of Nostalgia Quiz #17 is D. E. Beadle of K mart in Lancaster, Ohio. The winner will receive $100 for correctly answering that the first year in which manufacturers were permitted to join NACDS was 1938. Nostalgia Quiz #20 can be found on page 45 of this issue.

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Vol. 5, No. 3 February 7, 1983

1st of 10 planned

Fay's to open Buffalo unit

BUFFALO—Fay's Drug will launch a projected 10-store expansion program in upstate New York and western Massachusetts this year when it opens a new store here next month.

Fay's, which in 1982 witnessed one of the country's most improved stock performances, is also nearing completion of a major modification of its Liverpool, N.Y., distribution center. The project consists primarily of installing a new loose pick area as well as mezzanine sections.

Next month, ground will be broken for construction of a $4.5 million, two-million cubic-foot expansion of the distribution center, scheduled for completion in the spring of 1984. Once completed the two projects will cost Fay's approximately $6.5 million.

Late last year, Fay's unveiled details of an ambitious 10-year growth plan, a blueprint that would more than double the chain's store count and increase its annual sales volume to $1 billion by 1992.

Fay's currently operates 90 stores in upstate New York, including key markets like Buffalo, Rochester, Syracuse and Albany, as well as two stores in northern Pennsylvania.

Two facing 30-ft. gondolas make up Thrifty's convenience food center.

Thrifty tests convenience foods in L.A. store adjoining hdqtrs.

LOS ANGELES—Thrifty Drug is testing a convenience food center in its 35,000-sq.-ft. store which adjoins Thrifty's corporate headquarters in Los Angeles.

The center abuts upfront liquor on the left side of the store and consists of two facing 40-ft. gondolas of national branded products.

One side stocks canned fruits and vegetables, juices, drinks, coffee/tea/chocolate, nondairy creamers and nonfat dry milk.

The facing gondola side has soups (canned and packaged), barbecue sauce, mustard, raisins, dried prunes, mayonnaise, canned meat and fish, cake mixes, peanut butter, preserves, cereal, crackers, cookies, olives, pickles, oils, shortening, instant dinners, macaroni and cheese, and gelatins and spaghetti.

In addition to the gondolas, Thrifty also displays food and paper goods on 11 endcaps, as well as on three of the 15, 4x4 promotional tables arrayed along the center aisle.

The food center is flanked by gondolas housing snacks and picnic supplies on one side and hardware on the other.

Shelf-talkers for food items combine art and special advertised prices at Thrifty's new convenience food center.

The conventional food setup in Thrifty stores does not use gondolas. Rather, food is featured on ends and some of the 4x4 center-aisle promotional tables. All food is in and out.

Hours for the food-test store are 6 a.m. to midnight. But Thrifty won't get any after-hour traffic spillover from Boys Market across the street because hours are identical to Thrifty.

Also across the street is a Clark Drug (open 9 a.m. to midnight), which has operated a convenience food section (two facing 22-ft. gondolas) since the store opened. Clark also stays with national brands.

Of its major competitors in California (Sav-On, Clark, Pay Less NW, Longs and Pay 'n Save) Thrifty was the last to get into promotional food.

As for nutrition centers, all Thrifty stores use a supplier-furnished end fixture stocked with basic items. Other Western chains are testing gondola layouts.

Smathers to head Eckerd Fla. division

CLEARWATER, Fla.—Eckerd vp Robert H. Smathers has been named to head Eckerd Drug Company's Florida division, the chain's largest with 352 stores, it was announced by Burton C. Perfit, president. He replaces John L. Bishop, who has resigned.

At the same time, Perfit announced the appointment of Robert K. Ramsden, a company vp, to the construction and distribution posts at Eckerd.

Ramsden, who will continue to supervise the data processing system and administrative services, replaces Joseph H. Terrell, who has resigned.

Before becoming Florida division manager, Smathers had served since August 1981 as a headquarters vp with responsibilities for finance and operations. Previously he was Charlotte division manager. Before the merger of the Jack Eckerd Corp. with Eckerd Drug Inc., in 1977, Smathers was senior vp of the latter in charge of store operations, finance and administration.

Smathers started his career in 1961 as an accountant with Eckerd and was named a vp in 1971.

Ramsden joined Eckerd in September 1978 as director of data processing.

Revco chairman Lee C. Howley dies

CLEVELAND—Lee C. Howley, chairman of the board of Revco Drug Stores for the past 15 years, died of an apparent heart attack last month while visiting Massachusetts.

A 1935 graduate of Western Reserve University Law School, Howley had served as Cleveland's municipal Law Director for six years, as well as general counsel for the Cleveland Electrical Illuminating Co. In 1975, he retired to become a general partner in the Cleveland law firm of Weston, Hurd, Fallon, Paisley and Howley.

Howley had been widely recognized for his contributions to the citizens of Cleveland, including his service as Commissioner of the city's Parks and Education boards.

At Revco, he was instrumental in development of the Revco annual marathon, as well as the newly established Revco Arthritis Research Center at Case Western Reserve University Hospitals.

PHARMACY

Medi Mart has streamlined its pharmacy in Cohasset, Mass., to speed the flow of scripts through the department. Phones, pharmaceuticals, prescription files and patients are all only a few steps away from working pharmacists.

Medi Mart settles on blueprint for Rxman ease—customer's too

By Joseph Caputo

QUINCY, Mass.—You're filling prescriptions, customers are asking questions and the phone is ringing off the wall.

It's a typical scene in any busy pharmacy department—one that's repeated continually throughout the day. But it's also a scene that can lead to pharmacist stress and frustration.

Doing three things at once isn't easy.

But now, after two years of testing and refinements, Medi Mart executives at the Quincy, Mass.-based chain say they may have found some solutions to this recurring problem.

The pharmacy department was redesigned with the goal of being more responsive to consumer needs and improving pharmacists' working conditions by removing some of the causes of stress associated with high-volume dispensing.

Toward this end, corporate industrial engineers working with Don Benovitz, vp of pharmacy relations, concluded that the pharmacists' work areas had to be redeveloped to provide patients better accessibility to pharmacists and speed up prescription flow through the department. The newly designed department has since been added to five other stores, four in Massachusetts and one in New Hampshire.

Now, says Benovitz, "when pharmacists are at their work stations, they are only three steps away from the phone, the prescription files, the pharma-

Continued on page 25

Decline reversed

U.S. script count rises for 2nd yr.

ROCKVILLE, Md.—The steady drop in the number of United States prescriptions filled annually—a source of mounting concern for drug chains and independents during most of the 1970's—was "a short-lived phenomenon" that clearly has been reversed, Food and Drug Administration researchers concluded.

The agency's latest annual review of *Drug Utilization in the United States* released late last month reports that the number of prescriptions climbed steadily higher for the second straight year in 1981 to between 1.42 and 1.45 billion nationwide.

The difference between the two figures—some 30 million scripts—depends on which drug tracking service you subscribe to, according to the F.D.A. researchers.

The lower figure reflects the results of IMS America's National Prescription Audit, which indicates that new prescriptions outnumbered refills by a 52% to 48% margin in the most recent (1981) survey year, and that pharmacy acquisition costs for Rx drug products reached a record $8.94 billion.

The slightly lower estimate comes from Pharmaceutical Data Services Alpha system. Like the NPA, Alpha measures "retail outflow" of prescription drugs from a scientifically selected sample of United States pharmacies. Unlike NPA, however, Alpha used an in-store computer data collection process in 1981, and as a result these figures may provide a more accurate count of Rx refills, F.D.A. said.

Projections based on the Alpha data indicate a 51% to 49% split between new and refill prescriptions, and a total pharmacy Rx drug acquisition cost of $8.2 billion in 1981.

In developing a 10-year Rx trend based on the NPA figures, F.D.A. researchers noted

Continued on page 27

F.D.A.'s top 10 drugs by brand name

Alpha[1] 1981 Rank	Alpha[1] 1980 Rank	NPA[2] 1981 Rank	Drug Product
1	1	1	Valium
2	2	2	Inderal
3	4	7	Lanoxin
4	3	3	Dyazide
5	6	5	Lasix
6	5	4	Tylenol w/Codeine
7	9	8	Tagamet
8	8	6	Motrin
9	13	44	Ortho-Novum[3]
10	11	9	Dalmane

[1]Pharmaceutical Data Services' Alpha system

[2]IMS America's National Prescription Audit

[3]Ortho Novum products are combined in the Alpha rankings but not in NPA's.

Source: F.D.A.'s *Drug Utilization in the U.S., 1981*

Health stamps: a way out of state budget squeeze

There's a battle brewing as pharmaceutical manufacturers scramble in reaction to state drug formulary cutbacks. Meanwhile the National Association of Chain Drug Stores is pressing states to provide more reasonable reimbursement methods for Medicaid scripts, and the American Pharmaceutical Association is fighting the inequities associated with the Maximum Allowable Cost program.

Sound like a mess? It really isn't. States facing fiscal crunches perpetually look for ways to keep a lid on the pharmaceutical portion of their Medicaid programs.

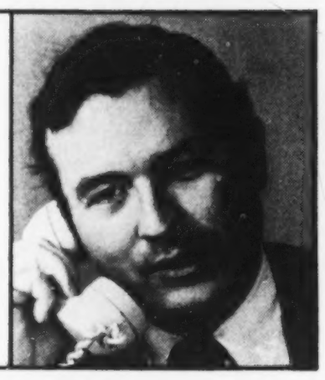
California is a case in point. The Department of Health Services in Sacramento scheduled hearings on regulatory changes which—if successful—will eliminate entire drug categories from its Medi-Cal program.

Expected savings if the changes are accepted—$16 million a year.

Common everyday drug remedies in a number of OTC and prescription therapeutic categories will no longer be covered. Seems the Golden Gate State is moving to eliminate coverage of single entity and combo OTC cough preps, expectorants, nasal decongestants, and antihistamines for all Medi-Cal patients except those in nursing homes. More importantly the same categories of prescription drugs are targeted for elimination from the program.

A number of other OTC and prescription drugs will no longer be covered whether the patient is in or out of a nursing home. Selected dermatologicals and internal analgesics as well as quinine capsules and tablets will be cut. Even vitamin combinations for persons over five years of age are slated for elimination from the program.

And a number of prescription drugs will no longer be covered: nonnarcotic analgesics, ophthalmic decongestants, antipruritics, as well as selected para-



Joseph Caputo, RPh
Pharmaceutical Editor

sympatholytics, narcotic analgesics, and some codeine containing analgesics will be cut.

As if in response, the Pharmaceutical Manufacturers Association (PMA) issued a policy statement in December opposing such changes. The association's statement recommends that states utilize more effective management techniques, rather than restricting drug product selection, to contain costs. PMA claims that denying reimbursement to providers for certain drugs or services restricts patient access to the particular products which may be ideal for specific individuals. PMA contends that the widest possible range of products and services must be available under publicly financed health programs.

Accordingly, decisions to select and use specific pharmaceutical products should be determined by the patient and the health care provider—not the state.

NACDS doesn't have a position on changing formularies and eliminating certain drugs from Medicaid coverage. But the association does want to preserve the drug benefits now available in the program. Since every state has some variation of Medicaid's drug program, the association's members have differing views about proposed changes, so there's no consensus.

On one point, however, there is unanimity: There is a crying need for an improved method of reimbursement. NACDS members feel the elimination of the "lower of" provision—now written into all state Medicaid regs—represents an inequity which must be dropped.

On yet another front, the National Association of Pharmacists is attacking the Medicaid inequities from a different perspective. The pharmacists group wants the Maximum Allowable Cost program repealed, or revised to function the way it was originally intended.

Space for this column doesn't permit further summaries of the trade's continued battles against big Government. Suffice to say the battles are many, the victories few.

Most people agree that the current program is unwieldy and unfair. Perhaps a simplified approach would produce better results for all: States would keep their drug formularies, but reimbursement would be based on regular retail price—the same price most patients now pay.

Medicaid recipients would receive an allotment of health stamps (like the stamps now used in the food program) to purchase their pharmaceuticals in the most convenient cost effective manner.

However, once a month's supply was exhausted the Medicaid patient would become a private-pay patient for the balance of the month. This would place a ceiling on the Government's liability.

The program could be tested in selected geographic areas where problems would be identified and solved before going nationwide. Cost savings could also be projected.

Although the savings wouldn't be great, at least some states might reconsider the gradual elimination of pharmaceutical services from the drug benefit portion of Medicaid.

PHARMACY

Number of Rxs filled in U.S. rises for 2nd straight yr.

Continued from page 21

that the total number of prescriptions dispensed by United States drug stores peaked in 1973, and then declined gradually but steadily during the rest of the 1970's.

The downtrend began to reverse in 1980—last year's F.D.A. utilization study showed a 2% gain in Rx count for the nation—and the latest NPA figures reveal a second straight annual rise for 1981, according to the agency's new review.

At the same time, the size of the average prescription, which has been rising steadily since 1971, continued to grow, the new F.D.A. report indicates.

A more refined F.D.A. estimate of long-range drug utilization trends (adjusted for prescription size and population) found that "overall utilization actually increased through 1976, decreased temporarily in 1977-79, and increased in 1980 and 1981," agency researchers said. "By any measure, the downward trend in total drug use appears to have been a short-lived phenomenon."

View determines top sellers

What's the No. 1 drug now?

That question is easier asked than answered, according to F.D.A.'s freshly published *Drug Utilization Review* covering prescription products dispensed during 1981.

The simplest answer, of course, is Valium, which maintained its slim but perennial lead over Inderal as the nation's most heavily prescribed drug.

But according to F.D.A. analysts, Valium is the correct answer "only if one is interested in individual brands."

If the perspective shifts from drug brands to specific categories of prescription products, analgesic codeine combinations emerge as the most frequently dispensed drugs while benzodiazepine minor tranquilizers such as Valium drop to third place.

And "if major therapeutic classes are considered, 'codeine combinations' becomes an incorrect answer, with codeine and other ethical analgesics ranking fourth and systemic anti-infectives being the most common products," F.D.A. said.

Ranking drug chemicals across different products and therapeutic indications—"a more precise method of assessing the top drug," according to agency researchers—produces yet a different winner: hydrochlorothiazide. (See related chart on page 21.)

F.D.A.'s top 10 drugs by major therapeutic class

Rank	Therapeutic class	Rxs in millions	% of Market
1	Systemic anti-infectives	182.0	13
2	Cardiovascular drugs	178.2	13
3	Psychotherapeutics	120.3	9
4	Analgesics (ethical)	109.7	8
5	Diuretics	103.9	7
6	Cough and cold	97.6	7
7	Hormones	85.0	6
8	Antiarthritics	65.4	5
9	Contraceptives	55.0	4
10	Antispasmodics	46.1	3

Source: F.D.A.'s *Drug Utilization in the U.S., 1981*

F.D.A.'s Top 10 drugs by specific drug categories

Rank	Category	Rxs in millions	% of Market
1	Codeine analgesics, noninjectable	57.7	4
2	Antiarthritics, systemic (eg., nonsteroidal anti-inflammatories)	55.7	4
3	Benzodiazepine minor tranquilizers	55.4	4
4	Oral contraceptives, combination	54.4	4
5	Prescription cold preparations (without analgesics)	49.3	3
6	Beta blockers	42.7	3
7	Diuretics, thiazides & related	40.8	3
8	Potassium, sparing diuretics	35.7	3
9	Erythromycin	31.3	2
10	Other antihypertensives (eg., methyldopa)	27.7	2

Source: F.D.A.'s *Drug Utilization in the U.S., 1981*

F.D.A.'s Top 10 drugs by chemical classification

Rank	Name	Rx in millions
1	Hydrochlorothiazide	73.4
2	Codeine	65.4
3	Combination oral contraceptives	54.4
4	Erythromycin	32.5
5	Propranolol	30.6
6	Diazepam	29.1
7	Triameterene	28.2
8	Digoxin	25.0
9	Furosemide	24.2
10	Atropine	23.8

Source: F.D.A.'s *Drug Utilization in the U.S., 1981*

Profitable reading on April 4:
The Book/Magazine Supplement

Rx Capsules

NUTRITIONAL PRODUCT SALES are estimated at $350 million (consumer level) in 1981 and they are forecast to more than double (in constant dollars) by 1991, advises Frost and Sullivan Inc. The firm's "Adult Enteral and Parenteral Nutrition Market" analysis claims growth will be fueled by significant developments in intravenous feedings, due to improvements in equipment and product advances. . . .

TALWIN 50's reformulation will eliminate the drug's misuse in combination with the antihistamine tripelennamine—known as T's and Blues. The reformulation called Talwin Nx contains 0.5mg of naloxone, which should prevent street addicts from injecting the mixture. The new combo, available in early March, is said to be as safe and effective as Talwin.

Correction

The Dec. 13th issue of *Drug Store News* (page 9) incorrectly reported PCS provided patients' names and addresses to providers of mail-order prescription services. This description is technically inaccurate. PCS does not directly provide enrollees' prescription files to mail-order suppliers. But third-party processor PCS does provide its clients—insurance underwriters or patients' employers—the files. Administrators at either of these two places then analyze the drug utilization records and decide whether a mail-order prescription program will be cost effective—for themselves, not necessarily the patient. If the program is cost effective, patients will be requested to participate in selected mail-order programs.

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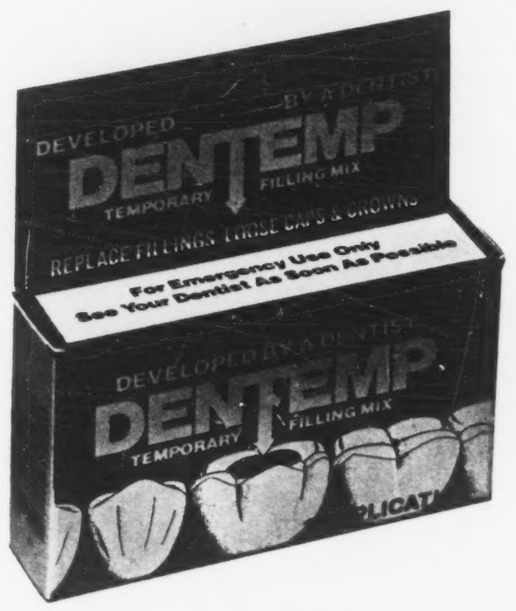

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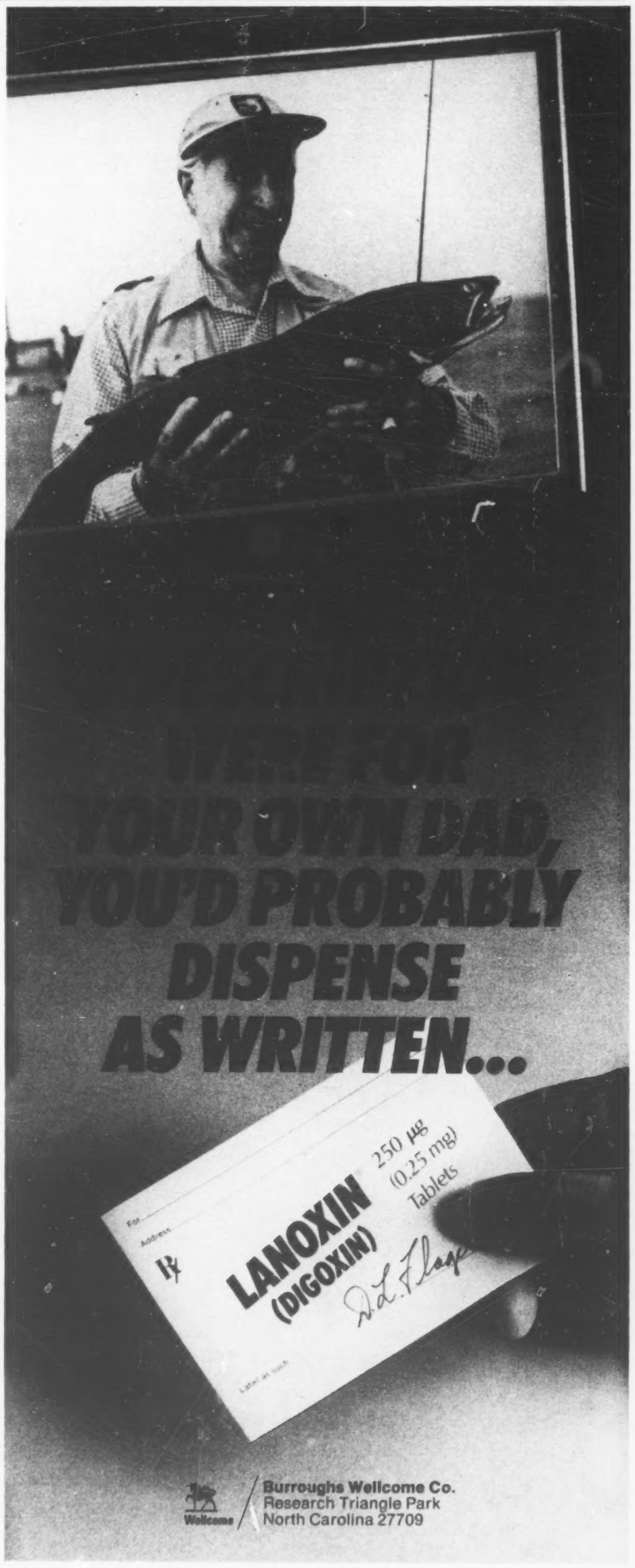

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HAIN STORE AGE
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cards captivate impulse buyers—p. 8

RUG STORE NEWS®

Vo corporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./February 21, 1983

Backers see safe passage for crime bill

WASHINGTON—New Federal pharmacy crime legislation introduced earlier this month in the House and Senate will pass Congress and be signed by the President by "early spring," sponsors of the bill told *Drug Store News*.

Although similar proposals to make robberies of controlled substances from drug stores a Federal crime have died in Congress each year for the past decade, supporters of the new measure are convinced that the legislation will "sail through" this time around.

Behind the legislative optimism surrounding this year's bill: assurances by House Crime Subcommittee Chairman William Hughes (D-N.J.) that hearings on the bill will be scheduled "at the earliest possible date."

Backers of the pharmacy crime legislation secured that commitment for quick House hearings this year as part of a dramatic Congressional horse trade during the '82 lame duck session.

Under that deal, sponsors of the drug robbery measure withdrew their proposal to clear the path for "emergency" legislation setting Federal criminal penalties for drug product tampering.

"When the 'Tylenol bill' passed we extracted sound legislative assurances that we will get support for our bill when it comes up" this year, Sen. Roger Jepsen (R-La.) said.

For their part, both chain and independent drug store representatives called for prompt Congressional action on the

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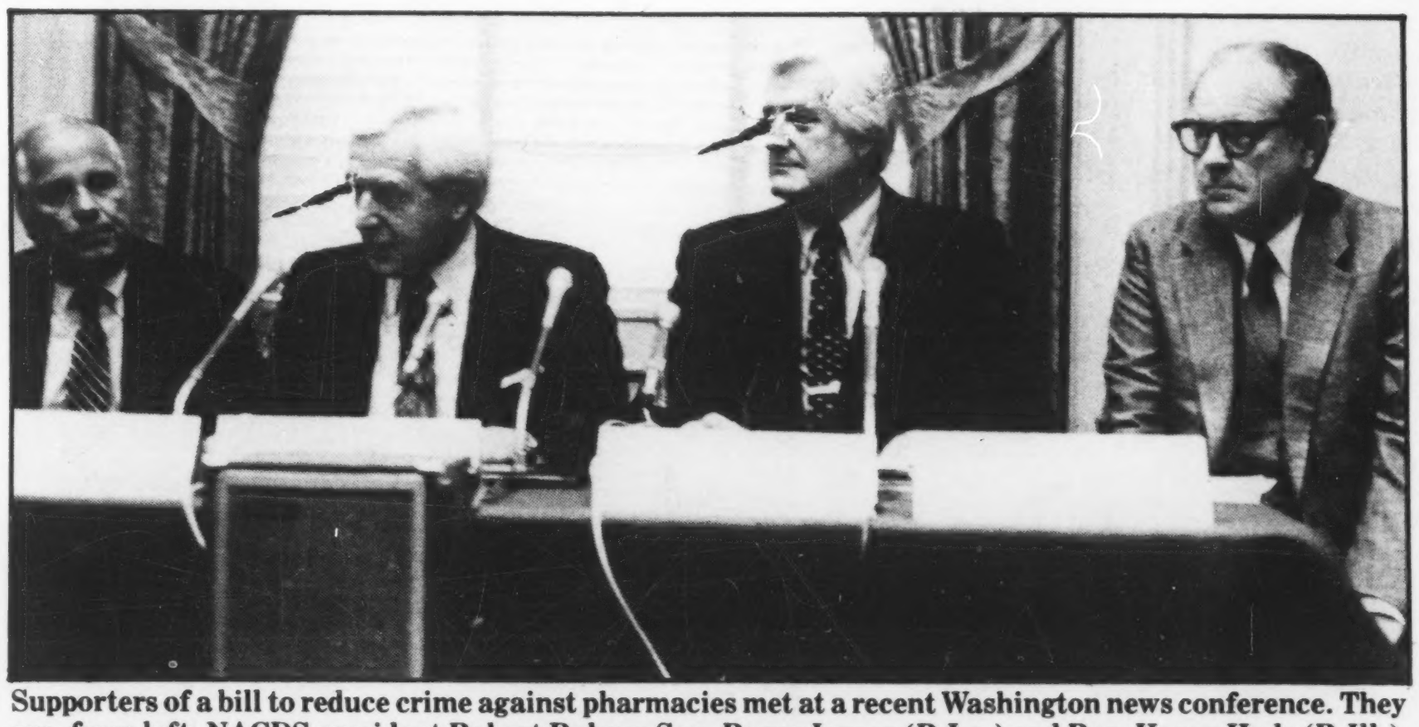
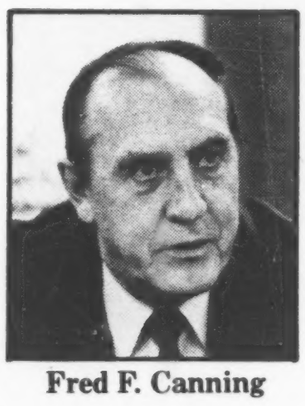


Supporters of a bill to reduce crime against pharmacies met at a recent Washington news conference. They are, from left: NACDS president Robert Bolger; Sen. Roger Jepsen (R-La.) and Rep. Henry Hyde (R-Ill.), sponsors of the bill, and NARD executive vice president William Woods.

Executives give Reagan mixed rating

NEW YORK—Top chain drug executives gave the Reagan Administration generally good midterm marks for lowering inflation, bringing down interest rates and relaxing regulatory activity.



Fred F. Canning

They also told *Drug Store News* they were pleased with what they see as renewed consumer confidence, and several execs proposed the Government initiate incentive programs to allow them to develop job-training programs for the high-technology areas evolving.

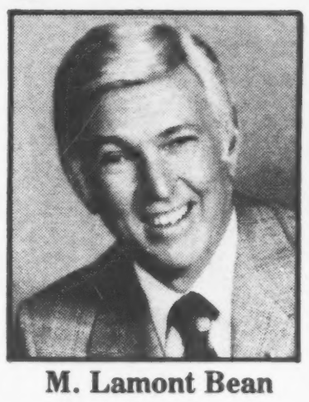
But they expressed concern about other aspects of the economy under the President's Administration, including high unemployment and growing Federal deficits that may lead to a new round of interest rate hikes.

"We're generally pleased with what we see of Mr. Reagan's economic program to date," said Fred F. Canning, president and coo of the Walgreen Co. "Lower inflation rates are a help to everyone—consumer and retailer alike. We are hopeful that the inflationary growth will remain at 5% or below."

But Canning went on to add "large Federal deficits are major negatives, and although interest rates are down, they still seem high for continuous economic recovery."

Robert Begley

Executives from chains such as Peoples, Pay 'n Save, Perry, Medicare-Glaser and Begley generally echoed Canning's remarks and added a few observations and concerns of their own.



M. Lamont Bean

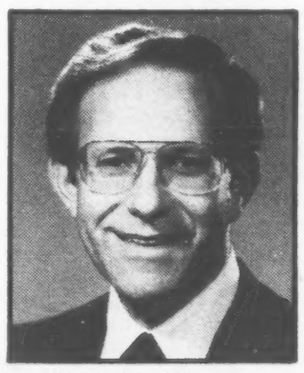
M. Lamont Bean, chairman of the board at Pay 'n Save, noted that while lower inflation rates are a boon, especially to people on fixed incomes, the tough economic policies needed to lower inflation have caused high unemployment.

"It's a tough pill to swallow for the 11 million people who are out of work," he said.

Jack Robinson, chairman and ceo of Pontiac, Mich.-based Perry Drug, said that in areas like Pontiac and Flint, Mich., "the levels of unemployment are deplorable. Michigan has its own private depression, and it started in 1979."

Robinson added if interest rates don't decline further, high jobless levels are likely to persist. "Interest rates must drop to lower levels if consumers are going to return to their prerecessionary purchase patterns," he said.

The Perry chief executive added another cautionary note: "Interest rates must not be allowed to go into a yo-yo pattern—up and down gyrations. That would create distrust in the financial community," he observed.



Jack Robinson

Sheldon Fantle, president and ceo of Peoples Drug Stores, was another executive who expressed worry over the size of the Federal deficit.

"The Government will find out that problems will result if too much income is used to service high levels of debt."

Continued on page 60

New Peoples division to focus on security

By Allen Mundth

ALEXANDRIA, Va.—A five-year antishrink campaign that has netted scores of shoplifters, armed robbers and dishonest employees in Peoples Drug Stores has spawned a new subsidiary for the 564-store chain.

Peoples executives are so pleased with the company's closed-circuit television security program that they've gone into the security business themselves, eying other retailers, including major drug store chains, as customers.

Eckerd, Revco and Gray Drug Fair have already hired Peoples' new division, Management Safeguards, to provide low-cost, easy-to-maintain security systems for their stores. And major supermarket chains, such as Safeway, have also called for help.

Why all the attention?

It seems as though Peoples, almost by accident, stumbled

Continued on page 61

Chains are beefing up the fight against shoplifting with closed-circuit television monitors.

Hard times incite more shoplifters

NEW YORK—Record unemployment, high prices and the recession have turned a growing number of formerly innocent Americans into shoplifters, according to a national research organization.

And drug chains, especially those in the hard-hit Midwest, are apprehending an increasing number of shoplifters.

The National Coalition to Prevent Shoplifting, which is based in Atlanta, detected the trend in the Christmas buying season, but chains such as Gray, Revco and Perry saw the pattern developing through all of last year.

At Perry, the number of shoplifters arrested in fiscal 1982 was 88% greater than in fiscal 1981. And for fiscal 1983, which began on Nov. 1, 1982, the number of suspects has increased another 88%, according to Bill Krupka, the chain's security director. Until recently, shoplifting had been increasing at a 30% rate each year, he said.

In fiscal 1982, 1,606 shoplift-

Continued on page 61

Path to salon product sales: no red carpet

By Mike Dunn

CLEVELAND—Drug stores that sell professional hair care products are cashing in on higher margins, adding prestige to their hair care sections and luring some customers who otherwise might shop elsewhere.

But drug retailers occasionally have to cross a legal mine field to get some of these products for their shelves.

They also have to wind their way through a maze of diverters to find the items, and the maze sometimes is blocked by manufacturers.

Nexxus Products Co. last summer cut off Jim Mindala's $40,000-a-month distributorship after accusing him of diverting the company's products to drug stores.

Nexxus bills its products as items that have to be applied under the supervision of beauticians and maintains that distribution to drug stores lowers the prestige of the lines.

Mindala and his company, Block, Beauty and Barber, countered with a $2.5 million slander suit against Nexxus, company vp Stephen J. Redding and the manufacturer's distributors in northern Ohio.

Nexxus also has lawsuits flying across the country against

Continued on page 61

— News in brief —

NACDS names annual meeting speakers

ALEXANDRIA, Va.—Barbara Walters, the television journalist; William Safire, novelist, lexicographer and *New York Times* columnist, and Robert S. Strauss, former chairman of the National Democratic Committee and Carter Cabinet member, are among the speakers who will appear at the 1983 National Association of Chain Drug Stores' annual meeting. The meeting is scheduled for May 8-11 at the Washington Hilton, Washington, D.C.

Eckerd names Boenig division mgr.

CLEARWATER, Fla.—Eckerd Drug has named Gilbert E. Boenig Louisiana division manager, replacing Anthony J. Spedale, who has been appointed Lafayette district manager. Boenig, who joined the chain as a pharmacist in 1970, has been manager of the Houston District since August 1981.

No disruption in 1st week of trucker strike

NEW YORK—Drug retailers and wholesalers reported the first week of the independent truckers' strike did not cause any disruption in their supplies.

Most reported they rely on their own trucks to move merchandise from their warehouses to stores. They rely on large carriers for shipments from manufacturers and do some backhauling with their own trucks.

However, some smaller chains, such as Valco Drug in Martinez, Calif., rely on independent truckers for some shipments from manufacturers. Pat Keller, a co-owner of the 11-store chain, said approximately 25% of his merchandise is delivered by independent truckers. No problems were reported in the first week, but Keller said, "We'll see how things are by the middle of February."

Mrs. Charles R. Walgreen dies

WILMETTE, Ill.—Mary Ann Walgreen, wife of Charles R. Walgreen Jr., died Jan. 27, 1983. Mrs. Walgreen was 74.

Chicago-born, in 1931 she married Walgreen—the son of the late Charles R. Walgreen, who founded the drug chain in 1901. Their son, Charles R. Walgreen III, took over as chairman of the operation in 1971 following the retirement of his father.

She is survived by her husband, two sons, a daughter and a brother.

New Drug Emporium planned

CARROLTON, Tex.—Lou Anon, who operates the Drug Emporium franchise in Dallas, will open his third store here April 1 in an existing shopping center.

The new Drug Emporium will be 26,640 sq. ft. and occupy a freestanding building formerly occupied by Safeway.

The other two franchise stores are in Plano and Dallas.

Video boosts toy industry profits

NEW YORK—The toy industry rode the rising wave of video to post $9 billion in retail sales for 1982, a 13% increase above the 1981 level, according to the Toy Manufacturers of America.

Not counting video, toy sales declined 7%. Richard Grey, chairman of the TMA, said video accounted for 31% of the total 1982 sales volume, compared to 19% for 1981.

Small chain meeting: Picking exec talent

ALEXANDRIA, Va.—How small drug chains can spot effective managerial candidates will be discussed by James J. F. Clarke, executive vp of Management Research Associates, at the 1983 NACDS Small Chain Conference, Feb. 27-March 2, at the Royal Sonesta Hotel, New Orleans.

Winner of Nostalgia Quiz #18 chosen

The winner of $100 in *Drug Store News'* Nostalgia Quiz #18 is Chung Ping Chu of Eckerd Drug in Fort Pierce, Fla. The correct answer was Walgreens' store in the New York City Port Authority bus terminal. Nostalgia Quiz #21 can be found on page 33 of this issue.

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Vol. 5, No. 4 February 21, 1983

2 Thrifty executives outline expanded computer use

LOS ANGELES—Thrifty Drug will begin testing a second in-store computer system—an IBM Series 1 minicomputer with a pharmacy software package—in several of its units.

Richard Eils, president and coo, told shareholders at the chain's annual meeting that Thrifty had decided to look at a second system because "we are striving for additional potential applications. These include energy management, electronic payroll reporting and POS [point of sale] reporting."

Thrifty has been testing the Honeywell DPS 6 pharmacy terminal for almost a year. Both systems are standalone with a host computer at the central office.

"We have significantly expanded the Honeywell tests, and the system is in operation in 10 stores," Eils said.

"Initially, we want to apply the POS use to promotional merchandise in order to get an immediate measurement of unit sales and gross margins," Eils added. "This will be especially important in improving the in-stock status of ad merchandise."

Eils said in fiscal 1983 (ending Aug. 31, 1983), Thrifty plans to use improved hardware and software to computerize direct delivery to the stores.

Starting in February 1983, Thrifty will link up with a major vendor for computer-to-computer ordering. "This will reduce lead time for vendors," Eils noted, "as well as reduce inventory investment and out-of-stocks."

Eils also discussed Thrifty's new Merchandise Control System (MCS) for the warehouse. The system provides for automatic matching of receipts and invoices and reduces accounts payable expenses, as well as shortening the cash receipt cycle.

Richard Eils

Leonard Straus

Explains Eils: "MCS is a system which totally utilizes warehouse space and provides for automatic replenishment to the stores. In so doing, it reduces the cost of handling. In addition, MCS provides for zone retail pricing, and this enables us to improve gross margins by directly addressing the competition in specific geographic areas."

Eils also announced that during the next 18 to 24 months, other electronic programs will be in place. These include: corporate financial forecasting and in-house administration of health and dental programs (with comparison costs and benefits for each health plan). There will also be a human resources control program. "These electronic systems," Eils said, "will reduce general and administrative expenses."

It was announced at the annual meeting that quarterly dividends will be raised from 20¢ to 22¢, effective Feb. 28, 1983. This marks the seventh dividend increase in seven years.

Citing Thrifty's gains, Leonard Straus, Thrifty chairman, said from 1974 through 1982, sales increased at the compound rate of 11.2% while net income increased at a compounded 22.3%.

Straus discussed the sale of two Thrifty properties. One is the four-store Wonder World discount chain in Las Vegas, in which Thrifty held a master leasehold. "Sales in the subleased departments were over $30 million a year, but we did not produce profits in fiscal 1981 or 1982."

The other was Akron, a 45-year-old 21-store specialty retail chain which was sold to the Chan family of Hong Kong. Chan has the exclusive rights to rattan furniture produced in mainland China.

Straus updated shareholders on the progress of Crown Books and Trak Auto West, both in partnership with Dart Drug of Landover, Md. "There are now 111 Crown Book stores from coast to coast," Straus said, "and we expect the number to reach 141 by August, 1983—and then go to 160 by December, 1983. We are enjoying a modest profit on Crown."

Trak Auto West is the auto parts/accessories counterpart of Crown on the West Coast. Both sell at heavily discounted prices. Currently, Dart operates 39 Trak Auto stores in the

Continued on page 60

Subsidiary of A&P

Family Mart numbers to increase

MONTVALE, N.J.—A&P is reaffirming its confidence in the Family Centers subsidiary with plans to expand the Family Mart food/drug combination stores in both number and breadth of assortment.

"Family Centers subsidiary is one of the positive entities in the [A&P] company and is scheduled for continued growth," according to Bill Vitulli, vp of corporate affairs at A&P.

John Miles, newly appointed Family Centers president and ceo, was formerly chief operating officer of A&P's East Coast divisions. Vitulli described him as "the total store operator" because of his complete background in all aspects of store operations. "Though Family Centers is a wholly owned subsidiary, it is pretty privately run," the vp explained.

The Family Mart stores, located in the Southeastern states of Florida, South Carolina, North Carolina, Georgia and Alabama, will probably remain concentrated in that area.

The 22nd and newest addition to the Family Mart family was a 55,000-sq.-ft. store located in Elfers, Fla. The prototype store, however, is closer to 35,000 sq. ft.-40,000 sq. ft.

"If we put a store in a suburb of a large city, like St. Petersburg or Miami, we'll go in with a larger store and project higher sales per square foot. It really all depends on location and projected sales," Vitulli said.

In addition to store expansion, departments are being added with more diversity in the stores. The result is that old departments appear outwardly to be losing share in the store business. Actually, Vitulli said, "as we expand the store, instead of just enlarging the old departments, we added new ones such as auto, clothing and health food. For example, our [A&P] meat departments used to do 26% of the store business, but that figure has naturally gone down as we get added business in each store from other departments."

Management posts shifted at Eckerd Corp.

CLEARWATER, Fla.—Bill Campbell, former merchandise manager for Jack Eckerd Corp.'s Rac/Rite division, has been appointed director of merchandising. Campbell replaces Jim Revill, who has resigned.

Joining the company from Montgomery Ward, Campbell assumed his position with Rac/Rite last September. Zolt Selos has been named to the duties left vacant by Campbell's move. Selos joined Eckerd last July after eight years with Jewel Cos.

Other recent personnel changes at Eckerd include the resignation of Joe Terrell, vp distribution, a 21-year veteran, and Jim Bishop, former Florida division manager. Bob Ramsden vp of data processing, assumes Terrell's duties as well as responsibility for construction and Bob Smathers has added Bishop's area to his job as vp of finance and operations.

Finally, Neil Roth resigned as Florida merchandise manager to join Revco D.S., and Ed Kelly, former Clearwater district manager, assumed that position.

Kelly came to Rac/Rite in 1976 and worked his way up through the posts of merchandise manager for the corporate merchandise department, merchandise manager for Florida division and then Clearwater district manager of the Florida division.

Ernie Zost has been promoted to fill the spot of Clearwater district manager. Zost, a graduate of the University of Houston's pharmacy school, formerly served as a pharmacist, a pharmacy supervisor, area manager and store manager for Ward Drug which was acquired by Eckerd. In 1980 he became Rx operations manager.

THE PROOF IS IN THE PROFITS

Cards, stationery, office supplies:

PERFORMANCE PLUS

If you think the stationery, greeting cards and home, school and office supplies business is small potatoes, take another look:

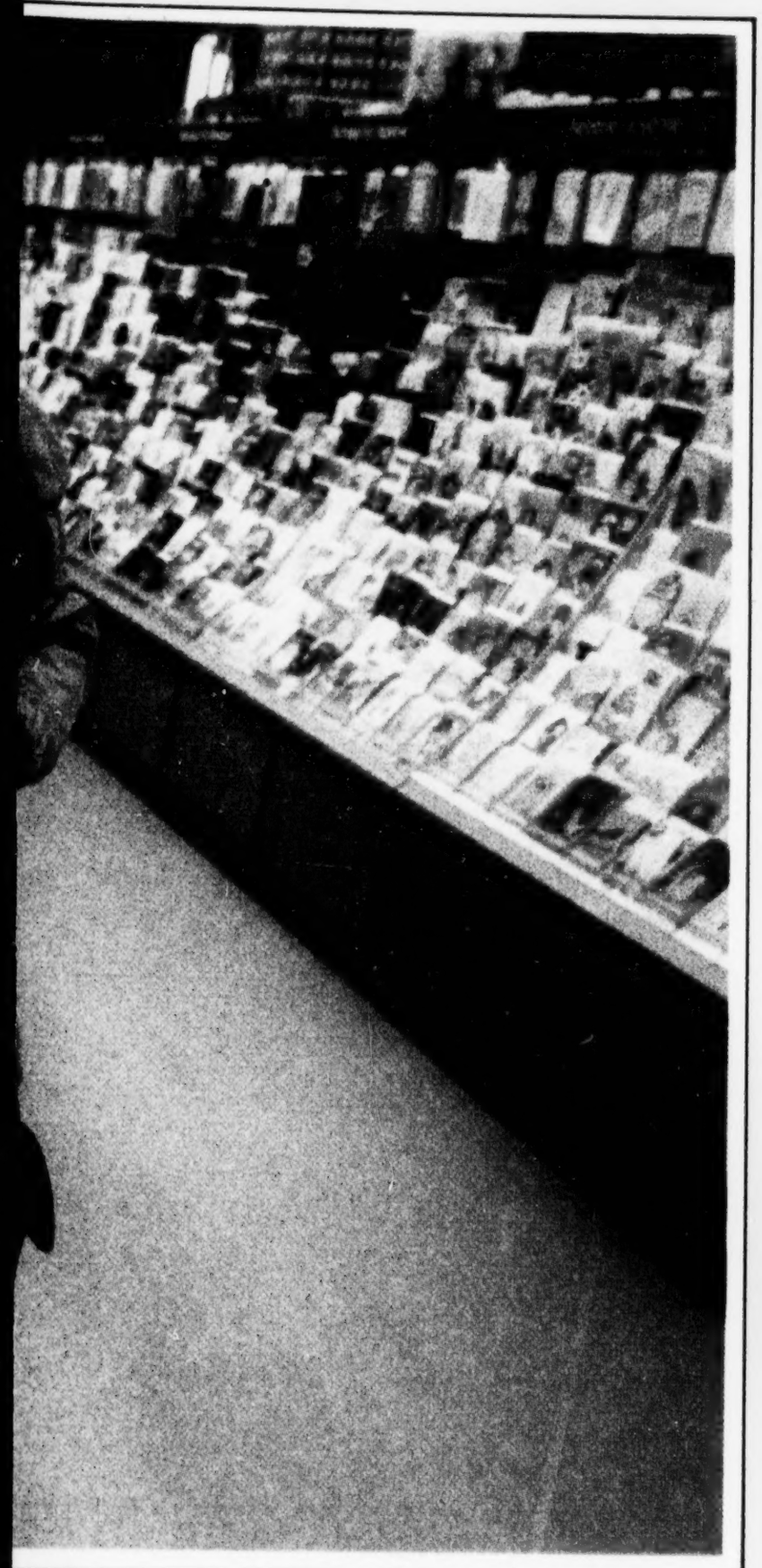
Last year Americans purchased an estimated seven billion greeting cards—the equivalent of nearly 28 cards for every man, woman and child in the country. Students of all ages used mounds of theme paper, not to mention billions of pens, pencils, erasers, scissors, and more. Office workers and professionals, often working out of their own homes, consumed tons of paper supplies, staples, clips, writing instruments and much, much more.

Add up the numbers, factor in the attractive retail margins, and the greeting card, stationery and home/office supplies market comes off looking like one of the most tantalizing supermarket and drug store general merchandise departments ever.

With annual turns averaging six to eight times and margins as high as 50%, these products are attracting more and more attention from mass market retailers seeking sure-bet traffic builders that guarantee increased sales and profits.

Research shows that in the past five years, the average supermarket has increased the size of its greeting cards department alone by 40%. In fact, more than 85% of all newly opened supermarkets now have a full-fledged greeting card department, including peripheral lines like gift wrap, party supplies and can-

THE PROOF IS IN THE PROFITS



Industrywide Seasonal Card Sales	
Christmas	3 Billion
Valentine's Day	800 Million
Easter	150 Million
Mother's Day	120 Million
Father's Day	75 Million
Graduation	65 Million
Thanksgiving	36 Million
Halloween	21 Million
St. Patrick's Day	20 Million
Grandparent's Day	10 Million
Everyday	2.5 Billion
Total	6,797,000,000

Source: National Association of Greeting Card Publishers

dles. These items, in most cases, can account for up to 30% of the department's business. Drug stores too are expanding their greeting card, stationery and home/office supplies departments to generate more traffic and greater sales by catering to the time-pressed one-stop shopper.

With more than 50% of all American women aged 19 to 59 working outside the home, it's no surprise that the greeting card, stationery and office supplies business is booming. In many instances, the greeting card or personal letter is a quick and still relatively low-priced way of expressing a personal feeling without compromising the personalized touch. Despite the recent downturn in the economy—and perhaps because of it—greeting card sales jumped a whopping 30% in 1981. Industry experts are projecting similar gains for 1982.

School, home and office supplies, once almost the exclusive domain of independent "center city" retailers, have also proven to be profit-builders when merchandised and promoted by mass market retailers who today hold the primary locations positioned closest to most home/office and school supplies customers.

The move in recent years by offices from downtown to suburban addresses, as well as the rapid growth in the number of at-home businesses, has also helped propel sales of these products.

Students, housewives, office employees and professionals—the same people who regularly shop at supermarket and drug stores—now expect to find their office supplies at a single, easy-to-reach location, rather than an off-the-road specialty store.

NOPA, the National Office Products Association, estimates that the typical "front office" employee working in America uses at least $450 worth of office supplies each year. Multiply that by the growing number of white collar or service-related workers in the country and the numbers, in terms of sales potential, are astounding.

Small businesses, many of them located in suburban shopping areas adjacent to regional or strip shopping malls, accounted for nearly three-fourths of the 13.9 million businesses operating in the United States in 1980, according to the Federal Bureau of Labor Statistics. Two years ago, these small businesses accounted for 43% of the nation's GNP, 48% of the gross business product and 58% of the national labor force.

It is precisely these small, sometimes unnoticed businesses that represent one of the fastest-growing opportunities for supermarket and drug store operators stocking expanded home/office supplies departments. Chains that act now to establish their stores as **the** office supply headquarters in their neighborhood will reap the benefits as more and more independent specialty stores go out of business.

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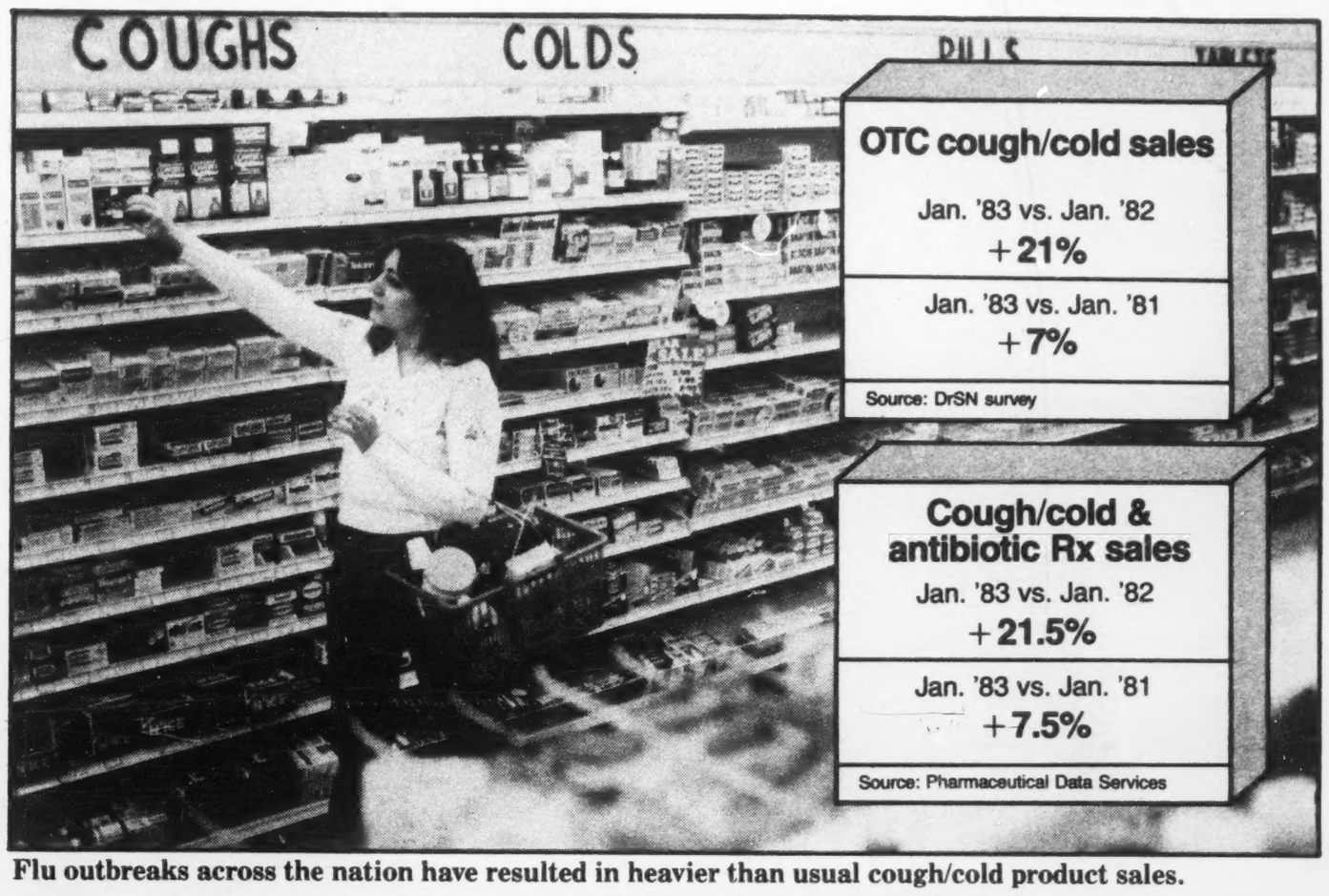

Flu outbreaks across the nation have resulted in heavier than usual cough/cold product sales.

Flu remedy sales flourish as number of snifflers mounts

NEW YORK—Drug retailers are ringing up hefty cough/cold and antibiotic sales as a result of this year's relatively severe, but late breaking flu season, following a mild winter and low flu incidence in 1981-82.

At Walgreens, for example, OTC cough/cold sales were up 23.5% in January over the same month last year, and in the first week of February sales rose 36.3% over last year.

The mild 1982 flu season inflated these percentage gains at the Deerfield, Ill.-based chain, but even when compared to the previous year, with its heavy flu outbreaks, Walgreens' January 1983 cough/cold sales were up 10.3% and first week of February sales rose 25.6%.

In 1980-81, the Center for Disease Control in Atlanta reported more flu-related deaths than in any of the previous 10 years.

According to Len Demino, vp of professional services at Alexandria, Va.-based Peoples Drug Stores, weather played a dual role in this season's sales gains. "This year's changeable weather was conducive to the flu. Our prescription and OTC sales and warehouse movement were up as a result," he said.

"In addition to the flu season growth, the horrible weather

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Peoples moves full speed ahead with inventory and Rx computers

ALEXANDRIA, Va.—After several years of testing various systems, Peoples Drug Stores will proceed this year with installation of sophisticated pharmacy computer terminals in its stores, as well as a state-of-the-art computerized inventory control system in several of its distribution centers.

Self-contained Honeywell pharmacy computer terminals will be installed on a market-by-market basis over the next two years.

Software from the General Computer Corporation will allow the terminals to be upgraded in the future for various other store-level applications. They include interfacing with point-of-sale scanners, preparation of staffing schedules, and compilation of payroll, sales and inventory reports.

Peoples spokesman Joe Pollard said installation of pharmacy terminals will be gradual at first as the company concentrates on training key personnel who can teach others how to use the system. "The start-up problem with a system like this," he said, "is one of personnel and not installations. Once we have our people trained and in place, the installation process will proceed much more rapidly."

The first phase of Peoples' "Advanced Inventory Manage-

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Superdrug goes public

Rite Aid sells 5 mill. shares of British co.

SHIREMANSTOWN, Pa.—Rite Aid Corp. reduced by five million shares its holding in its British affiliate Superdrug Stores P.L.C. as part of the move to turn the British H&BA chain into a public company.

"We wanted to turn it into a public company so as to better establish the value of our holdings and to be able to provide key employees with incentives such as stock options that only a public company can provide," Alex Grass, Rite Aid chairman and president, told *Drug Store News*.

Grass said Superdrug had "outstanding growth potential," a factor he said would increase the value of the 9,875,000 shares of the British chain that Rite Aid retains.

In selling the shares, the Shiresmanstown, Pa.-based drug chain reduced its stake in Superdrug from 42.5% to 28.2%.

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Superdrug has 'outstanding growth potential'
—Alex Grass, Rite Aid

Pay Less' major new warehouse to handle advertising merchandise

WILSONVILLE, Ore.—Pay Less NW will break ground this summer for a 200,000-sq.-ft. distribution building which will be operational sometime in 1984.

The new structure, located a block away from the present distribution center, will be used primarily for ad merchandise.

A Pay Less exec told *Drug Store News* that "the reason the new building will be located a block away—and not contigious to the present distribution center—is that we want to save the adjoining property [450,000 sq. ft.] to expand staple merchandise."

The existing distribution center (500,000 sq. ft. of floor space plus 208,000 sq. ft. of mezzanine) now handles both staple and ad merchandise. The new building will result in an increase of warehouse-to-total-inventory tonnage beyond the present 45%.

However, Pay Less could not provide any projected percentage increases. "We are not shooting for percentages," says an exec, "but rather on an item-by-item, line-by-line, category-by-category basis."

The current distribution center became fully operational in the summer of 1980. At that time it was billed as the "largest and most complex in the chain drug industry, rivaling the ca-

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LATE NEWS

LONGS DRUG STORES reported the unaudited sales for the fiscal year ended Jan. 27 (364 days) increased 12% to $1.123 billion from $1.005 billion in fiscal 1982 (362 days). Earnings information will be available later this month. For the 91-day fourth quarter, sales rose 14% to $323 million compared to $284 million for the 89-day final period last year. During the fiscal year, Longs opened 12 new stores, six of them in the fourth quarter.

Walgreens to open 5 new stores in Denver market

By Faye Brookman

LONGMONT, Colo.—With the grand opening this week of five new stores in the greater Denver area, Walgreens is trying to do what other conventional drug chains have never been able to accomplish: Break the hold that superstore operators such as Safeway, King Soopers and Skaggs Alpha Beta have on that tough competitive market.

On March 9, the Deerfield, Ill.-based chain will celebrate the grand opening of the five new stores in areas surrounding Denver, bringing to 32 the total number of Walgreens units in the Rocky Mountain State. Four of the stores are former Sullivan stores acquired earlier this year and remerchandised to reflect Walgreens' operating strategy. The fifth is a new Walgreens outlet.

Plans aired

"The stores will be exact Walgreens prototypes," chain president Fred F. Canning said. Canning noted the Sullivan stores, which average about 10,000 sq. ft., were perfect for the Walgreens' mold.

Under the Sullivan logo, the units each averaged better than $1 million in annual sales and had script counts as high as 250 per day. Founded in 1941 by Dwight Sullivan, the company has been one of the most successful independent operators in Longmont, Loveland and Louisville, Colo. In addition to selling four of his stores to Walgreens, Sullivan sold one unit to a long-time employee.

The reason why

The strong consumer franchise developed by the Sullivan stores, plus the Walgreens image, may help Walgreens penetrate the Denver market—an area that both Eckerd and Pay Less NW's Hart Drug abandoned.

Image builder

Walgreens continues to build its presence in strong existing markets and based on market research from Walgreens, the Denver area is ripe for growth. Colorado Walgreen units will also help maximize Walgreens' newest 200,000-sq.-ft. distribution center scheduled to open this April in Flagstaff, Ariz.

— News in brief —

Stores retain Cunningham name

FORT LAUDERDALE, Fla.—The Cunningham name will remain on the seven drug stores in this area acquired in 1982 by Apex Drug. Apex president Jim Devine reported that the chain has permission from Cunningham to retain the name. "Why change a good thing?" Devine said.

However, the remaining units in Michigan have taken on the Apex Drug logo and will be given a total new look within the next few months. "We have people working to decide just what an Apex store should look like," Devine said.

Peoples income rises 16.2%

ALEXANDRIA, Va.—Peoples Drug Stores reported that net income for the first quarter ended Jan. 15 increased 16.2% to $5.2 million, or $1.03 per share, from $4.8 million or 90¢ per share, in the corresponding period last year. Sales for the quarter rose to $248.8 million, a 15.5% gain over the $215.4 million reported last year.

Begley to launch 1st jewelry store

RICHMOND, Ky.—Begley Drug will open its first free-standing jewelry store May 1 in Cynthiana, Ky. The 2,100-sq.-ft. store will be in the same shopping center as an existing Begley drug store. The jewelry store marks a departure from Begley's 16-month operation of jewelry departments in drug stores. The chain had operated jewelry departments in three Begley drug stores, but closed two, leaving the remaining department in the Lexington Mall store in Lexington, Ky.

Garrett resigns vp post at Eckerd

CLEARWATER, Fla.—Gordon Garrett, who joined Eckerd Drug Co. as vp of marketing in the fall of 1981, has resigned the post to pursue other interests, reportedly in the manufacturing field. No replacement has been announced.

Detroit Chatham-A&P merger off

DETROIT—The proposed merger between A&P and Chatham Supermarkets, designed to help both chains compete in the highly competitive Detroit area, has been called off. The plan had called for the formation of a separate corporation, with A&P owning 75% and Chatham 25%. The merger would have brought together 111 stores including the six Warehouse Way discount drug stores owned by Chatham. The deal collapsed because of differences in the operations. In addition, Allied Supermarkets had filed a lawsuit attempting to block the merger, claiming it would restrain competition and result in higher prices.

Perry breaks ground in Chicago

CHICAGO—Perry Drug Stores, intent on building its presence in Illinois, broke ground recently for a new store located on the corners of Diversey and Cicero.

Mayor Jane Byrne as well as Seymour DeKoven, vp Illinois division and Edward Heckman, district Illinois division, were on hand to mark the groundbreaking for the 12,500-sq.-ft. unit scheduled to open later this year. The Michigan-based chain currently operates 17 units in Illinois, including four in Chicago.

Revco names assistant vp of purchasing

TWINSBURG, Ohio—Revco D.S. Inc. has named Neil S. Roth as assistant vp of purchasing. In his new position, Roth will oversee the purchasing of nonpharmaceutical products for the chain's 1,639 stores in 28 states. Roth has served for four years as regional merchandise director for Eckerd Drug and five years as a buyer for Rite Aid.

Eckerd sponsors Special Olympics youths

CLEARWATER, Fla.—Eckerd Drug Co. will sponsor 400 mentally handicapped children and young adults competing to appear in the 1983 State Special Olympics Games.

The individuals will come from the 15 states where Eckerd operates drug stores

Winner of Nostalgia Quiz #19 chosen

Karen Van Der Meid of Hook Drug, Indianapolis, Ind., is the winner of $100 in *Drug Store News'* Nostalgia Quiz #19. The correct answer was Fred F. Canning of the Walgreen Co. Nostalgia Quiz #22 can be found on page 35 of this issue.

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Vol. 5, No. 5 March 7, 1983

Turley tells NACDS manpower to become problem of the future

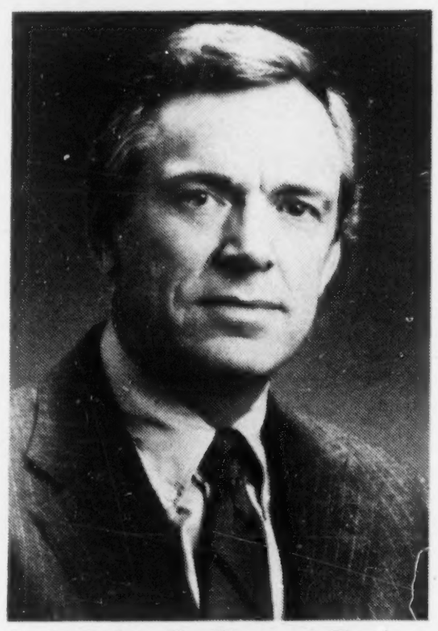
ST. PETERSBURG, Fla.—A shortage of pharmacists and other specially trained employees is likely to be among the leading problems facing chain drug retailers in the coming years, according to Stewart Turley, chairman and president of the Jack Eckerd Corp.

Turley made those observations at the NACDS Human Resources Conference.

"Today chain drug management faces the continuing challenge of relating day-to-day operations of the business to the future and of identifying where the company is going rather than where it has been," he said.

That means managers will have to determine what skills and abilities will be important to the chains' work forces and how to recruit the people who have them, he said.

"The shortage of pharmacists in retail pharmacy is due to the



Jack Eckerd's Stewart Turley: Fewer people seeking jobs will have the specialized skills that chain drug companies need.

controlled enrollment practices of pharmacy schools and to the change in the pharmacy program from a five-year to a six-year course of study. To demonstrate the impact of this change on the pharmacist population, it may be noted that when a pharmacy school adopts the doctor of pharmacy as the basic degree, there will be no pharmacists graduating one year as those who would have graduated that year will have only completed five of their six years of study," Turley said.

While thousands of individuals will become available for retail employment as the nation changes from an industrial economy to one based on technology and service, Turley said a smaller percentage of the people seeking employment will have the specialized skills for which chain drug companies will be recruiting.

"Educational institutions are not expected to meet industry's demand for a skilled data pro-

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Vendors huddle on TRP issue

NEW YORK—Tamper-resistant packaging surfaced as a major concern among wholesalers planning to attend the National Wholesale Druggists' Association marketing conference in New Orleans Feb. 27-April 3.

Suppliers' service levels and marketing programs, as well as wholesalers' legislative efforts were other areas of interest to middlemen interviewed.

"Our greatest area of concern centers on tamper-resistant packaging," said Melvyn Zahn, chairman of the board at Chicago-based Louis Zahn.

Although they haven't had problems so far, all wholesalers interviewed told *Drug Store News* they are waiting to see how suppliers are going to handle the next phase of tamper-resistant packaging. Their concern focused on the return of unsalable merchandise.

"We want a low-key approach toward consumer promotion of tamper-resistant packaging," Zahn said.

The wholesalers' concern is obvious: Consumers won't purchase products in nontamper-resistant packages if a media blitz significantly increases their awareness of more securely packaged products.

"Consumers will resist purchasing all products packaged in nontamper-resistant containers," Eugene Vykukal, president and chief executive officer of Southwestern Drug

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Small chain meet highlights Ribordy

NEW ORLEANS—An inside look at the Ribordy distribution center, the proper merchandising mix of private label products, and personnel training through video tapes are among the subjects at the four-day NACDS Small Chain Conference being held here this week.

Denis Ribordy

John Haronian

Bill Wood

Denis Ribordy, president and general manager of Ribordy Drugs and his two associates, Bill Ausenbaugh (executive vp and marketing manager) and Joe Alegretti (chain treasurer and secretary) will give chain representatives a look at the Ribordy Distribution Center.

In a Skaggs Telecommunications Service seminar, Lester Wells, director of sales and marketing, and Roger Olsen, director of corporate/industrial relations, will discuss personnel training through the use of generic video training aides.

Private label programs and how to tailor the proper merchandising mix for a small chain will be the topic of discussion for Thayer Pharmacies' Jeff Rose, president, treasurer and ceo, and Dave Morocco, vp of advertising and purchasing.

In addition, a panel consisting of John Haronian, chairman of the board, president and treasurer of Douglas Drug; Bill Wood, vp and general manager at Wellby Super Drug Stores, and Bill Welsch, NACDS vp and secretary, will explain the use of the NACDS PAR report and the Lilly Digest to the conference attendees.

Bill's 'bargains' yield 34% profit

SAN LEANDRO, Calif.—In today's highly competitive promotional climate, where the pressure for low-price image is ever-present, the permanent endcap is a rarity. And when it is used, it must deliver high value and high gross dollars.

The Bargain Basket endcap at Bill's Drug has earned "permanent" status since mid-November because the 10 different canned fish and pineapple items offer the following:

—Value—prices lower than a supermarket.
—Good sales—50 cases a month.
—High gross margins—34%.
—Low maintenance costs—the service supplier who provided the natural wood-look fixture (33-case capacity) does it all: orders, prices, stocks and signs.

Says Earl Hagar, store manager: "At these prices and margins, we cannot carry national brands, but where else can you buy a can of crab at $1.89 or a can of chunk white tuna for 79¢?"

Best sellers are sardines and crushed pineapple.

PHARMACY

Ampicillin/amoxicillin market trends, March 1981 to December 1982

Drug Description	Manufacturer	% Retail market share Rxs 12/82	% Retail market share Rxs 3/81	% Refills 12/82	Average price 12/82	Average price 3/81	% Retail margin 12/82	% Retail margin 3/81
Amoxil susp. 250mg	Beecham	11.0	6.8	6.4	8.31	8.65	38	41
Amoxil susp. 125mg	Beecham	10.2	6.3	5.8	6.08	6.34	52	52
Amoxil 250mg	Beecham	8.2	5.8	10.7	7.80	8.04	45	44
Omnipen 250mg	Wyeth	5.0	4.8	17.3	6.01	6.44	55	53
Omnipen 500mg	Wyeth	4.3	3.8	16.6	8.21	8.59	42	43
Amoxil 500mg	Beecham	3.3	2.2	12.0	11.61	11.51	31	35
Larotid susp 250mg	Roche	3.0	4.2	7.2	8.33	6.70	40	56
Amcill 250mg	P.D.	2.9	5.1	17.1	5.98	6.20	56	56
SK-Ampicillin 250mg	SKF	2.9	2.3	13.9	5.09	5.18	65	68
SK-Ampicillin 500mg	SKF	2.4	2.3	13.1	7.13	6.92	50	55
Larotid susp 125mg	Roche	2.4	4.2	7.6	6.70	5.18	52	68
Spectrobid 400mg	Roerig	2.2	—	12.9	15.94	—	27	—
Amcill 500mg	P.D.	2.2	3.2	17.4	8.36	8.26	43	44
Omnipen sol. 250mg	Wyeth	2.2	3.2	11.2	7.23	6.38	47	53
Larotid 250mg	Roche	2.2	3.8	14.1	8.00	6.17	45	61
Ampicillin 250mg	Generic*	2.0	1.3	13.4	4.81	5.17	58	66
Wymox susp. 250mg	Wyeth	1.9	—	7.0	9.58	—	29	—
Totacillin 250mg	Beecham	1.8	—	15.8	6.56	—	46	—
Amoxicillin 250mg	Generic*	1.7	—	15.8	8.10	—	33	—
Ampicillin 500mg	Generic*	1.5	—	13.9	7.38	—	52	—
Omnipen sol. 125mg	Wyeth	1.5	1.9	9.9	5.71	5.25	60	64
Wymox 250mg	Wyeth	1.4	—	13.0	8.78	—	36	—
Totacillin 250mg	Beecham	1.3	—	13.6	9.49	—	31	—
Larotid 500mg	Roche	1.0	1.1	13.9	11.53	8.21	33	47
Amcill susp. 250mg	P.D.	0.9	2.3	8.3	8.00	7.92	42	44
Top 25		79.1	75.7**	11.2	7.74	7.13**	43	50**
Other		20.9	24.3	9.3	7.60	7.38	38	46
Total		100.0	100.0	10.8	7.71	7.19	42	49

*Includes prescriptions from other than nationally promoted brands

**Includes the entire top 25 for this period

Source: Decision Data

Market shifts toward amoxicillin

ARLINGTON, Tex.—The amoxicillin/ampicillin market has seen significant shifts in the drug and product choice over the past 21 months for two reasons: (1) physician prescribing habits have switched from ampicillin to amoxicillin and (2) Roche's sale of its top amoxicillin product to Beecham was preceded by a de-emphasis of marketing efforts behind the product.

The big gainer as a result of these changes has been Beecham, which picked up 15 share points over the 21-month prescription audit period between March 1981 and December 1982.

Meanwhile, firms marketing ampicillin have faced a two-pronged problem: Ampicillin did not grow at the same rate as the entire market, and generic competitors became very price competitive.

These were the main findings of a survey conducted by the Arlington, Tex.-based firm, Decision Data. Other noteworthy developments include retailer margin declines, growth of generic competition, and new listing among the top 25 products.

Retailers' margins for products in the amoxicillin/ampicillin market declined for 15 of the top products in the market. The average margin for the top 25 products has fallen from 50% to 43% since March 1981. Although March 1981 figures aren't directly comparable to those for December 1982, overall trends still point out some interesting developments in the

Continued on page 13

Special packaging report

Chain problems: what to do with new-sized packages, old stock

NEW YORK—As the first tamper-resistant packaging deadline passed on Feb. 7, retailers were faced with two problems: (1) what to do about the new packages that don't fit into the old merchandising lineups and (2) how to dispose of the older, nontamper resistant packages on the shelves.

Peoples' vp of advertising and public relations, Joe Pollard, explained that consumers have no complaints about the TR packages yet, but there was a merchandising problem with one new package type.

"The Bristol-Myers flip-top can buys them some more real estate," Pollard explained. "If the products sell at a better rate, we'll let it ride, but we may have to cut out some facings if they don't move well."

The Bristol-Myers "can" Pollard referred to is used for Excedrin, Datril and Bufferin. It is a flip-top can which contains the traditional plastic bottle of

Continued on page 14

Three different approaches to the F.D.A. tamper-resistant packaging requirements shown here are: (top left) Bristol-Myers flip-top canister (top right), McNeil's triple-sealed Tylenol capsules and (bottom) Plough's package for the St. Joseph's Aspirin-Free tablets, a blister pack with foil backing and glued end flaps.

Longer Rx patents benefit more than just vendors

Research-intense drug companies are expected to lobby hard for passage of a bill that would extend patent protection for pharmaceuticals to a full 17 years. A 17-year period represents the time intended to provide incentives for inventors when the law was first passed by Congress.

These laws were passed in an era long before Government regulations, so the law's authors never could have anticipated the amount of time removed from a drug product's useful patent life. Now inventors must patiently wait for premarketing approval from the Government as the patent clock cuts short a product's useful life.

It's a simple mathematical fact that when a drug approval takes three to seven years, only 10 to 14 years remain for investors to recoup their capital and obtain a return (profit).

After a drug goes off patent, the market shifts. The prescription product is then available from a variety of suppliers, and it becomes a multisource commodity bought, in some cases, from the lowest bidder.

Nothing wrong with shorter patent periods, you say? In the short term that opinion might be true, but in the long term it could prove disastrous for international trade, inflation and consumers.

Unfortunately, amid all the rhetoric a few facts never seem to be mentioned. For example, investors have less and less time to obtain acceptable levels of return as patent protection periods shorten.

Joseph Caputo, RPh
Pharmaceutical Editor

That means there is less incentive for firms to invest in research and development for future products. Without such investment, America can say good-bye to yet another industry which is a contributor to the economy. It's unfortunate, because this is one of the few industries left which provides positive foreign exchange credits for America. (That's the money used to buy commodities like oil from other countries.)

It is also interesting to note that other developed countries like Japan, West Germany, England, France, Switzerland have highly developed pharmaceutical industries that are just waiting to fill the void created by R&D cutbacks by American firms.

These savvy traders know that a positive trade surplus cuts inflation and provides capital for internal and/or external investment.

So much for international finance and economics. Let's take a look at what rejection of patent reform means to consumers.

As industry product planners strive to meet their return-on-investment objectives, it means prices of new products (and for that matter other products, too) must climb. This fact is obvious when the prices of new pharmaceuticals are analyzed.

Rather than obtaining a targeted return spread out over 17 years, managers must strive for the same return more quickly, i.e., three to seven years. Hence the steep prices of most new prescription drugs. Managers must obtain a payoff before the market for a new drug becomes price-oriented.

So what on the surface seems like a straightforward issue—patent reform—takes on added dimensions. Rejection of patent reform would negatively impact on international trade, worsen inflation and create a deteriorating medical situation here at home: Only the wealthy could afford to pay for new pharmaceutical products.

PHARMACY

Child-proof caps: Elderly have hard time too

NEW YORK—Although tamper-resistant packaging (TRP) is the hottest issue in packaging for the 1980's, pharmacists must also be aware of some other important packaging requirements.

The Poison Prevention Packaging Act of 1970 (PPPA), requiring safety packaging is one of these vital packaging regulations.

Specifically, the PPPA was intended to reduce poisonings among small children. The safety packages are required for household products or drugs that are hazardous. They must be packed so most children (80%) under 5 years old cannot open them. At the same time, the act states packages must allow access to at least 90% of all adults.

A problem with this law, though, as well as the new TRP regulations, is that many elderly and handicapped people cannot open the new packages either. These patients simply can't get to the drugs.

One chain spokesman said he thought the reaction to this problem was overstated. He felt patients will deal with the new TRP the same way they deal with the childproof closures when they first came out.

At another chain, a spokesman explained that store personnel will extend the same services to consumers who have difficulty opening the packages as they do when patients have a tough time getting into the childproof caps. "We have a clerk or pharmacist open the package, or in this case, break the seal, before the customer leaves the store."

Since, in fact, fewer than 90% of all adults can open the childproof containers, some exceptions were made in the PPPA. The law allows two ways to provide easy-to-open packages for elderly or handicapped patients who cannot open the safety closures.

A manufacturer can market one size of the product in conventional packaging if a popular size of the same product is on the market in safety packaging. However, in these exceptions, the label must clearly state: *This package is for households without young children.*

See related story—p. 19

The prescribing physician or consumer may request that prescription medicines be put into ordinary packaging without safety features. Although some pharmacists may ask for a written statement from a purchaser before providing a conventional closure, this is not a requirement of the Federal law.

Pharmacists may post a sign to inform consumers of the availability of these easy-to-open packages, but the ultimate choice is left with the consumer.

For prescription drugs, a new safety closure package must be used each time a prescription is refilled to insure the effectiveness of the seal. If glass containers are used, however, only the cap must be replaced with each refill.

Drugs included under the PPPA and requiring safety packaging are:

—Human prescription drugs in oral dosage forms.

—All controlled drugs in dosage forms intended for oral administration.

—Aspirin products, except for certain effervescent and powder forms.

—Methyl salicylate (oil of wintergreen).

—Iron-containing preparations (including dietary supplements).

—Acetaminophen products (aspirin substitutes).

Certain drugs, such as isosorbide dinitrate and nitroglycerin, are exempted from the package requirements, since patients need rapid access to these medications.

In addition to drugs included under the PPPA, some other common items on drug store shelves are also required to have the safety closure packaging. These products include:

—Certain furniture polishes.

—Preparations containing potassium and/or sodium hydroxide (certain oven and drain cleaners).

—Turpentine.

—Kindling and illuminating fluids (cigarette and charcoal lighter fluids).

—Sulfuric acid.

—Ethylene glycol (antifreeze).

—Paint solvents.

Market shifts to amoxicillin

Continued from page 12

market.

Prices for eight of the top products declined in the 21 months since March 1981, a reflection of increased competition. But at the same time the category's average script price rose 70¢.

Generic forms of ampicillin 250mg and 500mg capsules, and amoxicillin 250mg capsules were all dispensed more frequently during the audit period. As a result, generic ampicillin/amoxicillin garnered 5.2 share points and placed 16th, 19th, and 20th among the top 25 rankings.

In a somewhat uncharacteristic development, generic amoxicillin 250mg caps cost consumers more per script and returned lower per cent margins to retailers than the leading comparable branded item. For example, generic amoxicillin 250mg caps retailed for $8.10 per script and returned a 33% margin. But Beecham's product averaged $7.80 per script and returned a 45% margin to retailers.

Despite the average price increases for the top 25 products as well as for the overall market, brand name products continue to dominate this market category. Branded items captured a 73.2% share of amoxicillin/ampicillin market.

The survey also revealed some new entrants to the top 25 list. Among those products were Spectrobid (Roerig), Wymox (Wyeth), and Totacillin (Beecham).

Chlamydia test to be marketed

NEW YORK—Chlamydia, one of the most prevalent hard to detect sexually transmitted diseases, will be diagnosed more accurately in the future.

The new test is said to identify 28% more positive specimens of chlamydia than conventional culture tests. As an added bonus the test is faster: it can be performed in one-third the time needed for standard tests.

Syva, a diagnostics subsidiary of Syntex Corp., will market the test.

When customers ask what they should use for cold sores, suggest
Herpecin-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

NEW! Clean Sights from Blairex.

Because there's a hundred million dirty glasses you should look into.

Almost half the people in this country wear glasses or sunglasses at one time or another. That's over a hundred million pairs that get dirty every day.

Until now, most people used a tissue cleaner that was often ineffective and could not be used on popular plastic lenses.

Now there's new Clean Sights from Blairex. The handy disposable towlette with a liquid solvent inside that easily wipes away oil, fingerprints, even caked-on spots. And it doesn't scratch. Even plastic.

Clean Sights are attractively packaged in 12-count packs, ready for stacking or racking. The eye-catching display which holds six 12-count packs is sure to generate impulse sales at your check-out counters. Place your order today. There's a hundred million reasons why. Once people try them, Clean Sights sell themselves. They're that much better.

To order, contact your wholesaler or call TOLL FREE 1-800-457-5787 or write:

Blairex Laboratories, Inc.
BLAIREX®
4810 Tecumseh Lane, P.O. Box 3117 • Evansville, IN 47730

Ad watch

Drug chain promotional prices in major cities

Oral B toothbrush	**As seen in**	
Fay's	$0.84	Upstate N.Y. papers
Clark	0.99	Los Angeles Times
Hook's	1.00	Indianapolis Star
Dart	2/1.99	Washington Post
Gillette Atra blades 5's		
Fay's	$1.57	Upstate N.Y. papers
Peoples	2/1.99	Washington Post
Page	1.47	Dallas Morning News
Revlon Flex shampoo or conditioner 16 oz.		
Fay's	$1.59	Upstate N.Y. papers
Thrift	1.49	Supplement
Peoples	1.69	Washington Post
Standard Drug	1.69	Richmond (Va.) Times-Dispatch
Dart	2/3.00	Washington Post
Kodak Disc film		
Fay's	$1.99 (Single)	Upstate N.Y. papers
Eckerd	2.19 (Single)	Miami Herald
SupeRx	4.00 (Twin)	Cincinnati Enquirer
Osco	3.99 (Twin)	Chicago Tribune
Aqua Net hair spray 9 oz.		
SupeRx	$1.09	Cincinnati Enquirer
Osco	0.99	Chicago Tribune
Hook's	1.00	Indianapolis Star
Vaseline Intensive Care Lotion 10 oz.		
Fay's	$1.49	Syracuse Herald American
Standard Drug	1.39	Richmond (Va.) Times-Dispatch
Big B	1.22	Alabama supplement
Gray	2/2.89	Supplement
Dart	1.49	Washington Post
Peoples	1.49	Washington Post
Crest toothpaste 6.4 oz.		
Fay's	$1.34	Syracuse Herald American
Thrift	1.39	Supplement
Dart	1.39	Washington Post
Vaseline Petroleum Jelly 7.5 oz.		
Fay's	$1.39	Syracuse Herald American
Standard Drug	1.44	Richmond (Va.) Times-Dispatch
Gray	2/2.89	Supplement
Peoples	1.57	Washington Post
Contac caps 10's		
SupeRx	$1.79	Cincinnati Enquirer
Thrifty	1.79	Los Angeles Times
K&B	1.98	New Orleands Times Picayune
Old Spice stick 2.5 oz.		
Gray	2/$2.99	Cleveland Plain Dealer
Walgreens	1.39	Chicagoland supplement
Dart	2/2.29	Washington Post
Drixoral 10's		
Eckerd	$1.49	Miami Herald
Page	1.67	Dallas Morning News
Gray	2/3.89	Supplement
Selsun Blue shampoo 11 oz.		
Thrifty	$4.39	Los Angeles Times
Hook's	3.99	Indianapolis Star
Peoples	3.99	Washington Post
Ascriptin 100's		
Eckerd	$1.99	Miami Herald
K&B	2.15	New Orleans Times Picayune
One-A-Day vitamins 60's		
Peoples	$3.79	Washington Post
Eckerd	2.99	Miami Herald
Snyder	2.99	Supplement
Carls	2.48	Syracuse Herald American
Sassoon D shampoo 8 oz.		
Peoples	$2.29	Washington Post
Thrift	1.89	Supplement
Walgreens	2.59	Chicagoland papers
Coca-Cola 2-liter		
Gray	$1.09	Cleveland Plain Dealer
Hook	0.99	Indianapolis Star
Osco	0.99	Chicago Tribune
Carls	0.97	Syracuse Herald American

Pay Less NW to build warehouse

Continued from page 1

pabilities of such long-time centralized chains as Walgreens, Rite Aid and Revco."

The fulcrum of the distribution center is its high degree of automation, with many technological advances. For example, a unique piece of equipment is the "4 to 1 merge," first of its kind in the country. It consolidates conveyable cases from all departments, at four operating levels, into a single file that feeds into a tilting slat sorter. The sorter runs at 285 ft. per minute and has an output of 115 cases per minute. The conveyorized average output is 40,000 cases per shift.

Ninety-six per cent of the output of this facility is fully conveyorized—from receiving through sortation, staging and shipping. Trailers are unloaded in the receiving department directly to a conveyor system that ties in with the sorting and shipping systems. Two full carloads can be unloaded simultaneously into the same system.

In addition, a system was designed that tracks every case from the time it is placed onto a picking belt until it is discharged into one of the 54 shipping lanes.

The warehouse holds 36,000 pallets stacked eight high and serviced by a fleet of wire-guided turret trucks. There are 10,000 pallets located in the order-picking area adjacent to conveyor belts.

The hand-stack department covers 60,480 sq. ft., and the repack department has 32,600 linear feet of shelving. Storage area for nonconveyable merchandise (baby furniture, bicycles, mops, brooms, pet food, etc.) covers more than 20,000 sq. ft.

Revco healthy despite economy

Continued from page 3

was also favorable, Hudson said, as inventory levels, as well as selling, general and administrative costs rose at rates below the rate of sales growth.

Hudson said proceeds from Revco's recently announced plan to issue 900,000 shares of common stock will be used to pay off $10 million in remaining long-term debts, and more importantly, "will increase the company's future financing flexibility. In particular, it will enable us to raise permanent capital to help fund internal growth in a changing financial and real estate market," he said.

Major capital improvements already under way at Revco include a $5 million expansion of the company's Twinsburg, Ohio headquarters, as well as a new $15 million plant for the company's Carter-Glogau manufacturing subsidiary, a producer of injectable drugs.

Dworkin said the company's goal of boosting retail square footage by 10% annually will not be met in fiscal 1983, primarily because Revco will not lower its stringent site selection criteria. "Expansion alone is not our intent," he said. "We want to expand profitably so we are going to maintain our strict selection standards," he said.

The company has acquired or opened 50 new stores so far in fiscal 1983, boosting its total store count to 1,639 units in 28 states. Store remodelings will total 200 this fiscal year, more than twice the number in any previous year. Dworkin said 52% of Revco stores are new or have been substantially remodeled during the past five years.

Pharmacy computers, now operational in nearly 100 Revco stores in Ohio and Michigan, should be installed in another 180 stores by mid-1984, Dworkin said. While pharmacy terminals greatly streamline in-store prescription operations, their major benefit is the communication link they provide between store and corporate headquarters, he said.

Revco's eight-store experiment in the close-out merchandise business, a joint venture with New York City's Odd-Lot Trading Co., also received good marks from Dworkin. "These stores are performing well and we believe this type of retailing could offer a viable diversification route for Revco," he said. Up to a dozen more Odd-Lot stores may open by year end.

Flu outbreak hikes cough/cold sales

Continued from page 1

we had last year shut us down and kept people out of the stores," he added. "Not only weren't they buying, but the flu wasn't spreading as quickly."

As a result, Peoples' sales growth figures this year will be especially dramatic.

In St. Louis, though, weather played a different part. Medicare-Glaser's director of professional services, Ken Anderson, said, "We've had a pretty mild winter here so far. Our antibiotics are not moving very well, which indicates to me that the flu season is not responsible for our upward volume movement in the drug department."

Back in the East, a spokesman for Rea and Derick, Northumberland, Pa., explained, "Up to now, sales have been pretty soft for the cold and flu products. But in the first two weeks of February, our antibiotics and cough syrups really seemed to move out of the distribution centers, and that's always a good indicator for us that sales are picking up."

At Perry Drug Stores, Pontiac, Mich., sales are up for flu-type prescriptions (antibiotics) and OTC cough/cold remedies because of the unusually big 1983 flu season.

And Melville, N.Y.-based Genovese reported a 10% increase in flu product sales this year.

To date, only the type A Bangkok flu strain has been isolated in this season, while in 1981-82 the flu was attributed primarily to the type B Singapore strain.

The Center for Disease Control explained that both types are covered by the flu vaccine currently available, but this vaccine immunity lasts only about one year. Consequently, immune-compromised patients should receive new immunization annually.

Video games eyed at Toy Fair

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(Return of the Jedi will be showing this summer), Chipmunks and Cabbage Patch Kids.

"We didn't see a whole lot of new things," reported Kerr Drugs' buyer, Bill Baxley. "But we do still feel strongly about licensed products, and I think Return of the Jedi will be good."

Baxley and other buyers are not concerned about an overabundance or shake out of licensed goods. They feel that licensed items are important to the mix because of higher margins and lesser promotion costs.

For instance, Michele Miller, buyer for Melville, N.Y.-based Genovese Drugs, is banking on the Chipmunks theme. "The kids love them and the manufacturer is putting money behind it—I think it will be a hit."

Miller was also interested in low-end toys to round out her mix, including wind-ups and board games, which she feels will show some resurgence in 1983.

These impulse items were also on the minds of buyers, such as those from K&B, who believe most drug store toy purchases are made on impulse. These items, they feel, are "shut up" toys, a term used to describe a tactic used by mothers to quiet children during shopping trips.

Trim-a-tree became more important this year, and many chains sought to replenish their stocks. Harco Drug's Keith Connell, for example, plans to increase the chain's inventory in the category. He says that chains can upgrade their tree selection, and he was interested in a new tree, which is softer and more realistic than others on the market. Last year, Harco had four trees priced in the $9 to $30 range, and he thinks it is time to carry a "step up" tree.

Connell, as well as other chain spokesmen, reported a brisk sell-through on trim-a-tree last year, the first in several years.

Answer to Nostalgia Quiz: Eckerd of Florida, Jack Eckerd

PDS to revise drug interaction guide

ST. LOUIS—Stuart Bascomb, vp and coo of Professional Drug Systems Inc. (PDS), a subsidiary of Medicare-Glaser Corp. announced an agreement between PDS and the American Pharmaceutical Association to develop and produce the third and subsequent issues of the Evaluation of Drug Interactions. The APhA had previously published this reference book itself.

"We [at PDS] are probably better equipped to revise the E.D.I. than anyone since we have been updating the interactions for our own use since 1977," explained Bascomb.

Currently PDS provides the MEDICOM Drug Interaction Database to users in all areas of health care. The data base is equipped to receive requests for interaction searches and then flag interactions of drugs to allergies, drugs and food, between prescription drugs and OTC medications as well as between two prescription drugs.

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CHAIN STORE AGE
MERCHANDISER

Retailers crave sweeter candy sales—p. 23

DRUG STORE NEWS®

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Drug stores win hospital Rx price battle

WASHINGTON—The Supreme Court wiped away nearly 50 years of Robinson-Patman Act cobwebs and ruled that drug manufacturers may not offer discriminatory price concessions on pharmaceuticals sold to state and local hopsital pharmacy outpatient dispensaries.

The narrow, 5 to 4 court ruling marks a major legal victory for drug store retailers who have argued for years that the deep discounts offered by pharmaceutical manufacturers to competing hospital pharmacy outpatient departments violate the Federal antitrust laws.

An earlier, 1976 Supreme Court decision involving the Portland Retail Druggists Association granted retail pharmacies a partial victory by holding that private nonprofit hospital pharmacy outpatient departments are indeed covered by the Federal Robinson-Patman antiprice discrimination law. But that same Portland ruling permitted pharmaceutical manufacturers to continue offering discretionary price cuts to state, county and municipal hospital pharmacies which dispense Rx's in direct competition with chain and independent drug stores.

The new Supreme Court ruling closes that loophole by agreeing with the Jefferson County (Alabama) Pharmaceutical Association that Congress never intended to exempt state and local governments from the Robinson-Patman ban on price discrimination.

"The legislative history [of the R-P Act] is replete with references to the economic evil of large organizations purchasing from other large organizations for resale in competition with small local retailers," the Court's majority concluded. "There is no reason, in the absence of an explicit exemption, to think that Congressmen who feared these evils intended to deny small businesses, such as the pharmacies of Jefferson County, Alabama, protection from the competition of the strongest competitor of them all."

That ruling reversed a series of lower court decisions and leaves the 13 pharmaceutical manufacturer defendants in the case vulnerable to treble-damage antitrust judgments.

But the real losers will be the nation's state and local government-run hospitals which for decades have grown accus-

Continued on page 40

Drug store execs cheer Robinson-Patman update

NEW YORK—Drug store retailers expressed satisfaction over the Supreme Court decision that prohibits manufacturers from offering discriminatory discounts on pharmaceuticals intended for sale in state and local hospital outpatient pharmacies.

"This decision is great," said Wyatt Williams, director of pharmaceuticals at Harco Drug, Northport, Ala. "We couldn't compete with the hospitals' ability to purchase in quantity. This puts them on an even footing with us."

Steve Roath, vp and director of professional affairs at Longs Drug Stores, said that Longs had had some success in dealing with the price discrimination situation by alerting manufacturers about hospitals selling pharmaceutical products to outpatients.

"It is my understanding that manufacturers intended the discounts for nonprofit organizations," Roath said. "We've been minimally successful with letters. Now there will be some legal recourse."

Other retailers said the new ruling would bring back some of the business that had been lost to hospital satellite clinics offering pharmaceuticals to outpatients.

"A few of our marketing areas, especially Spokane and Seattle, have a high concentration of medical facilities, and naturally this decision will have a beneficial effect," said John Snyder, a Pay 'n Save spokesman. "Competition will be fair."

According to another source, "This decision will curb these satellite pharmacies. It has gotten so that anybody in the world can open a pharmacy."

Chain drug profits lead retail upturn

NEW YORK—Drug chains are leading the retail recovery with latest quarter results showing earnings gains averaging 25%.

At the same time, chain drug stocks have been going wild, jumping 17% for the 17 public drug chains during the month ended March 3 on top of a 70% jump for all of 1982.

While drug chains have long been considered recession-resistant, less consumer spending and more cherrypicking last year took a toll on profit margins, causing chains to slim down inventories and cut other expenses in order to bolster profits.

These cost-cutting moves, plus the beginnings of a spending recovery, have left most chains in a strong financial position for the remainder of 1983.

At Perry Drug, for example,

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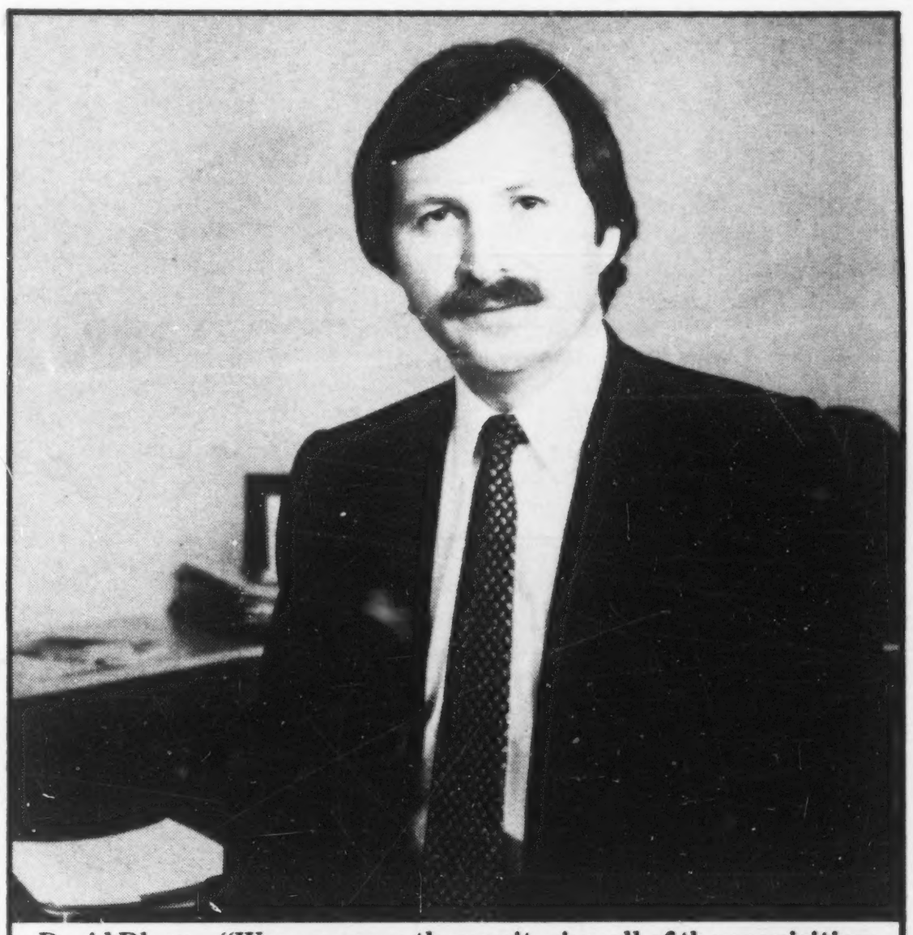

David Bloom: "We are currently monitoring all of the acquisition opportunities in the United States."

New SDM prez aims to double store count

TORONTO—With its first billion dollar sales year now history, Canadian drug store giant Shoppers Drug Mart has announced plans for an aggressive expansion program aimed at doubling the chain's store count and sales by 1990.

A realigned management team, headed by new SDM president and ceo David Bloom, 39, will spearhead the campaign, which company officials indicate will involve the acquisition of one North American drug store chain. Bloom succeeds Jack Gwartz, who has been named vice-chairman.

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Storm gathers over co-pay plan

BALTIMORE—Federal health care cost-cutters issued final new Medicaid cost-sharing regulations which could force participating drug stores to bear the expense of Rx drug "copays" for millions of indigent patients.

The new Health Care Financing Administration Medicaid (H.C.F.A.) copayment rules have already generated a storm of protest from chain and independent retail pharmacy groups. They are concerned that regulations requiring drug stores to absorb all cost-sharing expenses for poor patients may force thousands of pharmacies out of the program altogether.

"This new copay requirement is simply outrageous," a spokesman for the National Association of Chain Drug Stores told *Drug Store News*, adding that the association's board of directors has assigned "top priority" to securing relief from the new regulations.

NACDS—along with other drug store industry trade groups—was preparing a detailed written filing protesting the new H.C.F.A. rule at presstime. Since the Medicaid copay rules were issued in final form without notice to the industry, however, it's questionable whether those protests will car-

Continued on page 39

CE lesson postponed

Because of editorial problems, the continuing education lesson "Lupus Erythematosus—Idiopathically Induced," which was scheduled to appear in this issue, has been rescheduled for the next issue, April 4.

Perry drops leased Rx depts. in three states

Although Perry closed its 13 leased drug departments, fiscal 1983 calls for an addition of 12-15 units, many of which will be combination auto centers, according to Jack A. Robinson, president and ceo.

By Faye Brookman

PONTIAC, Mich.—Perry Drug Stores has completed its exit from Nebraska, Texas and Oklahoma with the closing of 13 leased departments located in Treasure City discount stores.

At the same time, Perry has announced it will disclose plans for a new retailing venture at its annual meeting this month. Industry sources speculate the company will either enter the deep discount field or use its auto department experience to launch freestanding auto stores.

The leased departments, acquired in 1980 as part of the DeKoven Drug deal, closed simultaneously with the Treasure City units that parent company Whitney Stores began shuttering last November.

Continued on page 39

— News in brief —

Chains urge tough stance on RPM

WASHINGTON—Revco and a cross-section of other top retail chains used the Reagan Administration to "rein in" Justice Department resale price maintenance advocates during a top-level White House summer conference.

The chain leaders called on the Administration to pressure Justice antitrusters to withdraw their Supreme Court petition for a drastic change in the law governing Fair Trade-style RPM activities by manufacturers.

Officials from Revco and other "price-oriented" chains also urged the White House to squelch separate plans by the department to propose new Federal legislation under which resale price fixing conspiracies would no longer be considered automatic violations of the Federal antitrust law.

Chains providing refunds on Zomax

NEW YORK—An industry spot-check shows that drug chains including Walgreens, Eckerd and Gray Drug Fair are providing refunds on unused portions of Zomax, the analgesic prescription drug recalled by McNeil Pharmaceutical Co. McNeil will reimburse pharmacies that provide refunds to consumers.

The company has withdrawn the drug in order to strengthen warnings and precautions as a result of five reported deaths from anaphylactic reactions among 15 million people who have used the product, a nonsteroidal anti-inflammatory agent developed as an analgesic.

Pay 'n Save sells 3 units to Bill's

SEATTLE—Pay 'n Save has sold three drug stores in the area north of San Francisco to Bill's Drug, an 18-store chain based in Lafayette, Calif. The sale was for an undisclosed amount of cash.

"These three stores are located on the periphery of our marketing area in California," said Cal Hendricks, vice chairman of the Pay 'n Save board. The sale leaves the company with 17 outlets in California.

Sav-On to open 1st combo

MERCED, Calif.—Sav-On's first food/drug combo, scheduled to open in September 1983, will be in the Olivewood Shopping Center. Sales are projected at $15 million annually.

The Sav-On combo (46,500 sq. ft.) will anchor one end of the shopping center. The other end will be anchored by Gottschalk's 60,000-sq.-ft. department store. Gottschalks will open by May 1983.

Other tenants in the center include Hallmark Cards, Gazebo Pizza, Clothes Time Women's Wear, Kids Mart, Valley Pet Center, and Darla's Hot Dogs.

Merced is 50 miles north of Fresno or about 200 miles north of Los Angeles.

Pay Less to warehouse legend drugs

WILSONVILLE, Ore.—For the first time in its 40-year history, Pay Less NW will warehouse legend drugs. Six to 8 thousand sq. ft. in Pay Less' present warehouse will be set aside for pharmaceuticals, beginning in the fall of 1983.

Noel Flynn, Pay Less' senior vp-pharmacy, told *Drug Store News* that "pharmaceuticals will be set up as a profit center with these objectives: better inventory/control, better utilization of manufacturer products and better utilization of generic selections."

He added "we have not yet determined our inventory investment or the number of sku's."

Flynn also denied that the move to warehouse pharmaceuticals was related to Pay Less' new 200,000-sq.-ft. warehouse, opening in 1984. The new warehouse, to be used primarily for ad merchandise, will free up space in Pay Less' regular warehouse (500,000 sq. ft. of floor space plus 208,000 sq. ft. of mezzanine).

Currently, Pay Less NW operates 147 stores in Washington, Oregon, Idaho, California and Nevada.

Winner of Nostalgia Quiz #20 chosen

L. A. Fehring of SupeRx Drugs in Cincinnati is the winner of $100 in *Drug Store News*' 20th Nostalgia Quiz. The answer to the question was Hook Drugs Inc. Nostalgia Quiz # 23 can be found on page 36 of this issue.

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Vol. 5, No. 6 March 21, 1983

New regional distribution ctr. readied by SupeRx in Indiana

BLUFFTON, Ind.—Drug, health and beauty and general merchandise products for nearly 200 SupeRx drug stores will soon be moving off the docks of a new 381,000-sq.-ft. distribution center here, the fourth such regional facility to service the chain's growing network of stores.

Scheduled to open May 1, the eight-acre building will link all but a handful of Phoenix-area SupeRx stores into a centralized distribution system serviced by Peyton Inc., the Louisville-based nonfoods distribution arm of the Kroger Co. SupeRx Drug Stores, like Peyton Inc., is a wholly owned Kroger subsidiary.

Peyton's Northern Distribution Center here will supply 85% of the pharmaceutical, OTC, H&BA and general merchandise inventory of the SupeRx stores it serves, eliminating their reliance on wholesalers, as well as most direct-store and jobber deliveries.

SupeRx joined McKesson Drug's Full Purchase program in January 1980, shortly after Peyton's first nonfoods distribution center in Melbourne, Fla., opened. The favorable impact of the Melbourne facility on operational costs and inventory control convinced SupeRx to proceed with plans for a company-owned distribution system to replace its 20-year direct-buy procurement program. The Full Purchase Program was developed by McKesson and SupeRx as an interim distribution program, pending completion of other regional facilities.

The Bluffton center will service SupeRx stores in Indiana, Illinois, Michigan, Ohio and Kentucky, as well as the chain's larger Sav-On stores in New York, New Jersey and Connecticut. It will also supply similar merchandise to nearly 400 Kroger food stores in several North Central states. SupeRx stores in Florida and most other Southern states are currently serviced by Peyton distribution centers in Melbourne, Fla., Cleveland, Tenn., and Louisville, Ky.

New technology

Paul Murphy, Peyton's vp for operations, described the new facility as a "very traditional double-deck flow rack picking system" that resembles the company's other recently opened distribution centers. In fact, swing reach fork lifts guided by in-floor electrical wires are the facility's major "high tech" ingredient, he said.

"Compared to our Melbourne, Fla., facility, now four years old, this is high tech," he said. "But compared to some of the new automatic pick warehouses, it's low tech. We think we have as cost-effective a warehouse with the right mix of technology and people as is possible," he said.

Conclusions

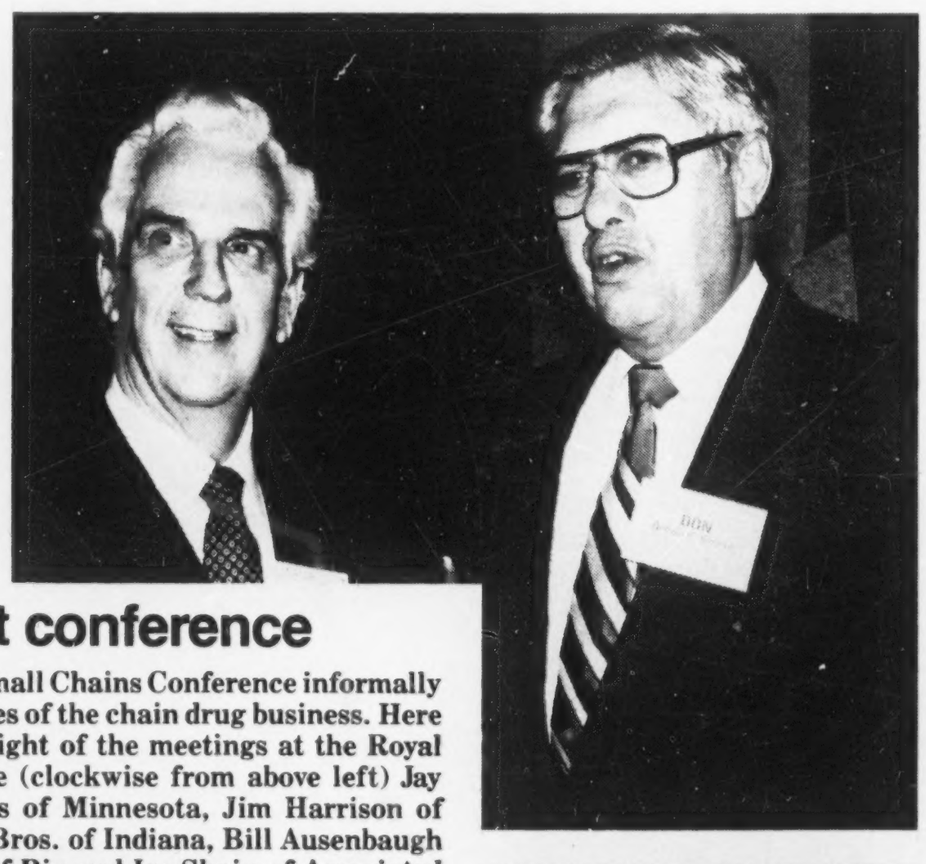
Up to 330 persons will be employed at the distribution center by next September, the projected date for completion of its phase-in.

Although some SupeRx stores are more than 700 miles from Bluffton, their locations provide "excellent back haul opportunities," Murphy said.

Located on a former soybean field in this northeastern Indiana community of 8,500, the site represents "the most practical location closest to the tonnage center of the stores to be serviced," Murphy said.

SupeRx stores will continue to relay weekly MSI orders via telephone to the chain's central computer in Cincinnati. From there, orders will be relayed to the distribution center, where picking tickets are printed and filled. As with other Peyton facilities, SupeRx merchandise is price-marked before leaving the warehouse.

The $10 million facility was financed by Peyton Northern with reduced-interest industrial revenue bonds.



Socializing at conference

Executives at the 1983 NACDS Small Chains Conference informally compared notes on the performances of the chain drug business. Here at the reception during the first night of the meetings at the Royal Sonesta Hotel in New Orleans are (clockwise from above left) Jay Gunderson of Thrifty Drug Stores of Minnesota, Jim Harrison of Harco, Don R. Keltsch of Keltsch Bros. of Indiana, Bill Ausenbaugh of Ribordy, Richard L. Weinberg of Rix and Ira Shain of Associated Drug Stores.

McKesson growth aided by FTC ruling

SAN FRANCISCO—When the Federal Trade Commission announced it had modified the 1967 consent agreement with Foremost-McKesson, thereby easing restrictions on future acquisitions, it signalled a change in the way McKesson will grow.

"Until now," says a McKesson exec, "we have grown internally. Now we can also grow by acquisition."

In modifying the 1967 consent agreement (brought about when Foremost Dairies Inc., acquired McKesson and Robbins Inc., in 1966), the FTC deleted a requirement in the order that Foremost-McKesson obtain FTC approval before acquiring an interest in any company that manufactures drugs, sundries or related products.

Although McKesson is the largest drug wholesaler in the United States, there are areas in the country which are voids in its national distribution network. These include the following states: Idaho, Wyoming, New Mexico, South Dakota, Iowa, Louisiana, Indiana, Maryland, Delaware, New Jersey, Vermont, Maine and New Hampshire.

McKesson has not indicated any priorities in filling the geographic gap. However, knowledgeable drugmen say that the Northeast corridor—between Virginia and New York—will be high on the list.

CHAIN STORE AGE
MERCHANDISER

Retailers crave sweeter candy margins

By Faye Brookman

To offset generally soft seasonal candy sales, drug stores are pulling from everyday stock to support holidays. Retailers are also seeking ways to make candy appeal to customers year-round.

This push to reduce seasonal buying and motivate sales throughout the year comes on the heels of a frightful Halloween marred by the fear of tampered candy. At Christmas, candy sales picked up, but slacked off again at Valentine's Day.

"We're using more of our everyday stock for seasonal promotions," confirmed Ed Hegedus, buyer for Hook Drugs, Indianapolis. Hegedus reported that there has been a trend away from promotional candy and Hook has concentrated on building its traditional lines.

This year, chains are considering making further cuts, especially for Halloween. Pat Teeley, buyer for Perry Drug, is one looking to develop the proper buying levels for 1983. Halloween 1982 was tough for the chain, especially in the Illinois stores.

"We cut back 15% to 20% for Halloween and still had to carry over 10%," she said. Teeley doesn't stock the promotional type items year-round (bagged candy bars and other adult items) and has to buy specifically for seasons.

Another chain reducing its candy order for holiday events is Walgreens. The Deerfield, Ill.-based operations saw its bagged candy sales (usually the best Halloween performer) drop 20% last year.

While seasonal sales are poor, overall candy consumption is also declining. Industry sales, pushed by price increases, rose 10% last year to $5.18 billion, but average consumption was 16 lb., down from 20 lb. recorded 12 years ago.

Chain drug stores account for about $1 billion of the total sales. However, because of painful markdowns they are being forced to take to clear away merchandise, retailers feel they must turn candy into a year-round category.

This is being done by increasing promotions of candy. Many chains, such as Hook and Pay 'n Save, advertise candy in every flyer. Among the popular promotions are five bars for $1 and a few chains feature candy of the month promotions. Candy is also being used on endcaps to entice buyers.

Kinney Drug hopes to lift sales by offering only the name brands of the fast turning candies. Buyer Jerry Houghton feels that today's shopper demands the quality assured her in the popular brands.

Several retailers are counting on a resurgence in higher ticket box candy. Kirk Van Auken, buyer for Gray Drug Fair, reports that box sales are recovering. "People give box candy as gifts more often," he explained.

Teeley added that the key to pumping sales in candy is to offer value. "Consumption is off," he pointed out, "vendors must make the candy look like a good value." One way to do this is to increase the size of the bar without raising the price. She added that this is possible now because the prices of sugar and cocoa have stabilized.

Van Auken agreed prices have moderated in candy, a category where costs were soaring in past years. Thus, retailers have been able to hold prices and reap better margins because of lower manufacturer's costs. Margins are hovering around 25% to 30%.

Another buyer pointed out, however, that one manufacturer chose to boost prices this year. Competing brands did not and stores now have "two tier" pricing.

"Now customers come in and see similar items priced differently," the buyer explained. "I don't know what the end result will be but we are watching it carefully."

While candy consumption has declined in the last decade, chain drug retailers have been maintaining their business by stressing year-round candy promotions and by pushing more higher-ticket boxed goods.

Chains seeking higher tobacco dept. turnover

By Mike Dunn

Drug chains are reducing the size of their cigarette orders, looking for faster turns and introducing generic products in an effort to coax a higher return on investment from tobacco departments, which have been having flat unit sales recently.

Last year marked the end of 12 years of steadily increasing sales for the cigarette and tobacco industry as sales fell 1.3% to $622 billion, down from more than $630 billion in 1981.

Consumer resistance to the 20% priced increase toward the end of 1982 could help turn 1983 into another soft year.

However, chain drug experts such as Walgreens' senior buyer Robert Schwab said, "We address this department from a good financial viewpoint rather than as a decreasing volume department."

Merchandisers for drug chains report margins are remaining in the 15% to 20% range.

"Sales in the cigarette and tobacco categories are declining approximately 5% per year, but we're getting a higher dollar volume because of higher prices," Schwab said.

But Schwab said Walgreens must be flexible to meet the changing market of the future. "We see a shrinking market down the road, and we have been reducing our sku's and facings. Reducing facings increases sales among other lines. An item that had seen eight turns a year now sees 10. We're willing to gamble this way to keep the departments viable," he said.

Merchandisers said eliminating items from this department has been a long-standing problem because of the constant introduction of new products designed for specific niches in the market.

The women's market will be more crowded with new brands slated for introduction. However, brand proliferation is expected to continue at its relatively slow 1982 pace until the recession eases and customer reaction to the price increase can be gauged.

Fay's Drug, for example, now carries approximately 110 brands, enough to meet the tastes of most smokers, according to buyer Joe Macro. In 1975, one study estimated that 61 brands were required to satisfy 95% of the customers.

Merchandisers usually solve the problem of brand proliferation by eliminating the slowest moving brands to make way for a potentially hot prospect

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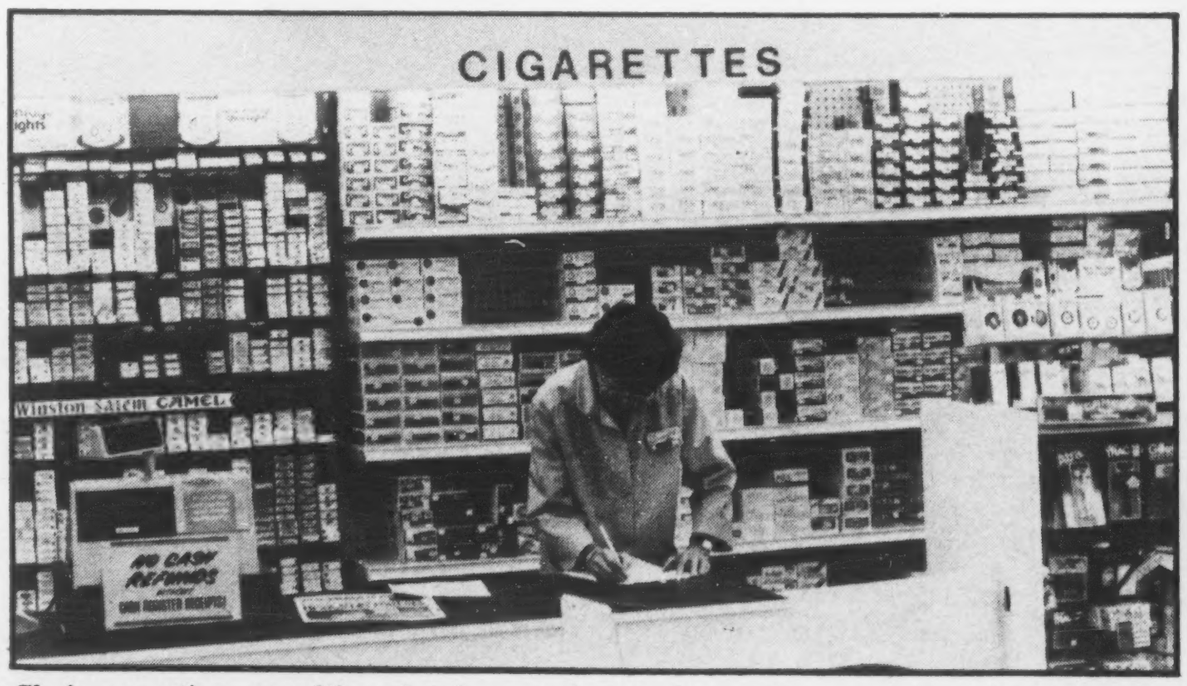

Chain executives say although tobacco sales are decreasing approximately 5% per year they expect higher dollar volumes.

DRUG STORE NEWS

1983 REFERENCE FOR PHARMACY PRACTICE

This year *Drug Store News* has updated last year's issue of the Reference For Pharmacy Practice. It has been determined through interviews with numerous pharmacists that a need exists for business-oriented information and more generic product information.

The BUSINESS SECTION is a commercial section that contains a myriad of business data useful to practicing pharmacists. Included in the section are the top 200 drugs, both by business terms and by manufacturer, profiles of leading drugs, a bulk buying guide, pricing strategies, inventory control systems, manufacturers' trade terms to retailers and wholesalers and many more features. Numerous sources have been used to compile this section, however, a sizable portion was obtained from Arlington, Tex.-based Decision Data.

The GENERIC SECTION presents information helpful to all pharmacists concerning the top generic products to stock, the brand of products pharmacists usually select in an open call situation and generic to brand name reference guides. This newest section is in response to the added demands placed on the pharmacist by drug products selection laws sweeping the country.

The CLINICAL SECTION contains background material on some OTC products, drug/drug interactions, low sodium products and sugar free products. Also in this section is information on contact lens care, home care product suppliers and a guide to leading drugs.

The CONTINUING EDUCATION SECTION contains a 100 question quiz based on the material presented in the Clinical section of the book. Following successful completion of the test, pharmacists will be better prepared to instruct their patients and advise physicians on such matters as unwanted side effects of leading prescription drugs.

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Top 200 Products Ranked

The relative importance of the top 200 pharmaceutical products can't be overemphasized: They play an important role in an average pharmacy's sales and inventory control. A leading pharmaceutical marketing research supplier claims the top 200 Rx products account for 70% of all new scripts filled in the United States; the top 50 products, nearly 41% of all new prescriptions.

Information in this section can be used for planning and controlling inventory, estimating dollar sales volume, and budgeting gross profit. Three criteria are used to rank the top 200 products:

Total number of scripts
Dollar volume
Dollar margin

Analysis of these three criteria reveals that the number of prescriptions and retail dollar sales should not be the sole measures of a pharmacy's volume. For example, data presented here indicate that Tylenol with Codeine 30mg, Darvocet-N 100mg, and Dalmane 30mg each rank higher in terms of dollar margin generated than in terms of dollar sales. Other products, such as birth control pills, rank higher in terms of dollar volume, yet are much lower in terms of dollar margin contributed.

The importance of new products is reflected by Feldene 20mg, in the span of a few months it is a leading dollar volume product on pharmacists' shelves.

Number of Rxs	$ Volume	$ Margin*
1 Dyazide Capsules	Tagamet Tablets 300mg	Dyazide Capsules
2 Tagamet Tablets 300mg	Dyazide Capsules	Tagamet Tablets 300mg
3 Valium Tablets 5mg	Valium Tablets 5mg	Valium Tablets 5mg
4 Lasix Tablets 40mg	Feldene Capsules 20mg	Tylenol w/Codeine 30mg
5 Tylenol w/Codeine 30mg	Inderal Tablets 40mg	Darvocet-N Tablets 100mg
6 Slow K Tablets 600mg	Motrin Tablets 400mg	Lasix Tablets 40mg
7 Darvocet-N Tablets 100mg	Aldomet Tablets 250mg	Slow K Tablets 600mg
8 Lanoxin Tablets 0.25mg	Darvocet-N Tablets 100mg	Keflex Pulvules 250mg
9 Lanoxin Tablets 0.125mg	Slow K Tablets 600mg	Feldene Capsules 20mg
10 Inderal Tablets 40mg	Lasix Tablets 40mg	Zomax Tablets 100mg
11 Dilantin Kapsules 100mg	Keflex Pulvules 250mg	Inderal Tablets 40mg
12 Aldomet Tablets 250mg	Keflex Capsules 500mg	Dalmane Capsules 30mg
13 Motrin Tablets 400mg	Motrin Tablets 600mg	Motrin Tablets 400mg
14 Dalmane Capsules 30mg	Clinoril Tablets 200mg	Empirin 325 w/Codeine 30mg
15 Empirin 325 w/Codeine 30mg	Naprosyn Tablets 250mg	Aldomet Tablets 250mg
16 Zomax Tablets 100mg	Diabinese Tablets 250mg	Lanoxin Tablets 0.25mg
17 Inderal Tablets 10mg	Zomax Tablets 100mg	Lanoxin Tablets 0.125mg
18 Keflex Pulvules 250mg	Lopressor Tablets 50mg	Lopressor Tablets 50mg
19 Inderal Tablets 20mg	Procardia Capsules 10mg	Motrin Tablets 600mg
20 Lopressor Tablets 50mg	Valium Tablets 10mg	Inderal Tablets 20mg
21 Feldene Capsules 20mg	Tylenol w/Codeine 30mg	Keflex Capsules 500mg
22 Lo/Ovral 21-pak	Tenormin Tablets 50mg	Bactrim-D.S. 28-pak
23 Motrin Tablets 600mg	Inderal Tablets 20mg	Inderal Tablets 10 mg
24 Actifed Tablets	Indocin Capsules 25mg	Ativan Tablets 1mg
25 Diabinese Tablets 250mg	Naprosyn Tablets 375mg	E.E.S. Filmtabs 400
26 Bactrim D.S. 28-pak	Bactrim D.S. 28-pak	Dilantin Kapsules 100mg
27 E.E.S. Filmtabs 400	Dalmane Capsules 30mg	Synalgos-DC Capsules
28 Ativan Tablets 1mg	Dilantin Kapsules 100mg	Actifed Tablets
29 Premarin Tablets 1.25mg	Ativan Tablets 1mg	Tenormin Tablets 50mg
30 Valium Tablets 10mg	Inderal Tablets 10mg	Valium Tablets 10mg
31 Dimetapp Elixir	Lo/Ovral 21-pak	Naprosyn Tablets 250mg
32 Synalgos-DC Capsules	Aldoril-25 Tablets	Monistat Vaginal Cream
33 Lasix Tablets 20mg	Clinoril Tablets 150mg	Dimetapp Elixir
34 Ortho-Novum 1/50 21	Persantine Tablets 25mg	Septra D.S. Tablets
35 Indocin Capsules 25mg	Vibramycin Capsules 100mg	Indocin Capsules 25mg
36 Dimetapp Extentab	Timoptic Ophthalmic Soln 0.5%	Flexeril Tablets 10mg
37 Monistat-7 Vaginal Cream	Aldomet Tablets 500mg	Clinoril Tablets 200mg
38 Hydrodiuril Tablets 50mg	Flexeril Tablets 10mg	Lomotil Tablets 2.5mg
39 Ovral 21 3-pak	Septra-DS 20-pak	Diabinese Tablets 250mg
40 Premarin Tablets 0.625mg	Tolectin DS Capsules 400mg	Premarin 1.25mg

*Based on AWP cost.

Top 200 Products Ranked

Number of Rxs	$ Volume	$ Margin*
41 Keflex Capsules 500mg 42 Procardia Capsules 10mg 43 Naprosyn Tablets 250mg 44 Amoxil Suspension 250mg/5ml 45 Lomotil Tablets 2.5mg	Premarin Tablets 1.25mg Hydergine Oral Tablets 1mg E.E.S. Filmtabs 400 Monistat Vaginal Cream Empirin 325mg w/Codeine 30mg	Lasix Tablets 20mg Dimetapp Extentab Naprosyn Tablets 375mg Percodan Tablets Tylenol w/Codeine 60mg
46 Septra-DS 20-pak 47 Tenormin Tablets 50mg 48 Librax Capsules 49 Clinoril Tablets 200mg 50 Aldoril-25 Tablets	Ortho-Novum 1/50 21 Zyloprim Tablets 300mg Ser-Ap-Es Tablets Aldactazide Tablets Ovral-21 3-pak	Persantine Tablets 25mg Vicodin Tablets Premarin Tablets 0.625mg Parafon Forte Tablets Dalmane Capsules 15mg
51 Achromycin V Capsules 250mg 52 Persantine Tablets 25mg 53 Dalmane Capsules 15mg 54 Hygroton Tablets 50mg 55 Ser-Ap-Es Tablets	Librax Capsules Lopressor Tablets 100mg Corgard Tablets 40mg Tegretol Tablets 200mg Lomotil Tablets 2.5mg	Amoxil Suspension 250mg/5ml Talwin Tablets 50mg Tranxene Capsules 7.5mg Vibramycin Capsules 100mg Aldoril-25 Tablets
56 Synthroid Tablets 0.1mg 57 Donnatal Tablets 58 Flexeril Tablets 10mg 59 Vicodin Tablets 60 Amoxil Suspension 125mg/5ml	Theo-Dur Tablets 300mg Parafon Forte Tablets Flagyl Tablets 250mg Hygroton Tablets 50mg Inderal Tablets 80mg	Theo-Dur Tablets 300mg Fiorinal w/Codeine #3 Librax Capsules Phenaphen w/Codeine #3 Hydrodiuril Tablets 50mg
61 Theo-Dur Tablets 300mg 62 Phenaphen w/Codeine #3 63 Valium Tablets 2mg 64 Benadryl Capsules 25mg 65 Tranxene Capsules 7.5mg	Nalfon Tablets 600mg Vibra-Tablets 100mg Synalgos-DC Capsules Lanoxin Tablets 0.25mg Indocin Capsules 50mg	Ornade Spansules Hygroton Tablets 50mg Timoptic Ophthalmic Soln 0.5% Drixoral Tablets Amoxil Capsules 250mg
66 Ornade Spansules 67 Percodan Tablets 68 Drixoral Tablets 69 Benadryl Kapseals 50mg 70 Parafon Forte Tablets	Insulin NPH U-100 Quinaglute Duratabs Ceclor Pulvules 250mg Mellaril Tablets 25mg Nolvadex Tablets 10mg	Ser-Ap-Es Tablets Amoxil Suspension 125mg/5ml Darvon Compound Pulvules 65 Restoril Capsules 30mg Zyloprim Tablets 300mg
71 Insulin NPH U-100 72 Amoxil Capsules 250mg 73 Timoptic Ophthalmic Soln 0.5% 74 Ortho-Novum 1/35 21 75 Vibramycin Capsules 100mg	Actifed Tablets Persantine Tablets 50mg Talwin Tablets 50mg Minipress Capsules 1mg Premarin Tablets 0.625mg	Corgard Tablets 40mg Benadryl Kapseals 50mg Achromycin V Capsules 250mg Fiorinal Tablets Benadryl Capsules 25mg
76 Thyroid Tablets 60mg 77 Fiorinal w/Codeine #3 78 Aldactazide Tablets 79 Cogentin Tablets 2mg 80 Darvon Compound Pulvules 65	Dimetapp Extentab Lanoxin Tablets 0.125mg Triavil Tablets 2-25 Tylenol w/Codeine 60mg Tolinase Tablets 250mg	Synthroid Tablets 0.1mg Valium Tablets 2mg Theo-Dur Tablets 200mg Donnatal Tablets Tolectin D.S. Capsules 400mg
81 Tylenol w/Codeine 60mg 82 Naprosyn Tablets 375mg 83 Restoril Capsules 30mg 84 Fiorinal Tablets 85 Zyloprim Tablets 300mg	Orinase Tablets 500mg Lasix Tablets 20mg Percodan Tablets Amoxil Suspension 250mg/5ml Pavabid Capsules 150mg	Phenergan Expectorant w/Codeine Minipress Capsules 1mg Mycolog Cream Lotrimin Cream 1% Clinorial Tablets 150mg
86 Mellaril Tablets 25mg 87 Minipress Capsules 1mg 88 Phenergan Expectorant w/Codeine 89 E-Mycin Tablets 250mg 90 Theo-Dur Tablets 200mg	Drixoral Tablets Accutane Capsules 40mg Ortho-Novum 1/35 Ornade Spansules Naldecon Tablets	Hydergine Oral Tablets 1mg Ceclor Pulvules 250mg Naldecon Tablets Aldactazide Tablets Vibra Tabs 100mg
91 Talwin Tablets 50mg 92 Librium Capsules 10mg 93 V-Cillin K Tablets 250mg 94 Corgard Tablets 40mg 95 Lotrimin Cream 1%	Hydrodiuril Tablets 50mg Minipress Capsules 2mg Ativan Tablets 2mg Theo-Dur 200mg Fiorinal w/Codeine #3	Nalfon Tablets 600mg E-Mycin E.C. Tablets 333mg E-Mycin Tablets 250mg V-Cillin K Tablets 250mg Ventolin Inhaler Refill

*Based on AWP cost.

Top 200 Products Ranked

Number of Rxs	$ Volume	$ Margin*
96 Orinase Tablets 500mg	Mycolog Cream	Librium Capsules 10mg
97 Mycolog Cream	Tagamet Tablets 200mg	Flagyl Tablets 250mg
98 Ortho-Novum 1/35 28	Catapres Tablets 0.1mg	Mellaril Tablets 25mg
99 Norinyl 1-50 21	Ortho-Novum 1/50 28	Antivert Tablets 25mg
100 Ortho-Novum 1/50 28	Dalmane Capsules 15mg	Elavil Tablets 25mg
101 Clinoril Tablets 150mg	K-Lyte Orange	Omnipen Capsules 250mg
102 Naldecon Tablets	Mellaril Tablets 50mg	Actifed Syrup
103 E-Mycin E.C. Tablets 333mg	Transderm-Nitro 5mg	K-Tabs 750mg
104 Lo/Ovral-28	Timoptic Ophthalmic Soln 0.25%	E.E.S. Liquid 200
105 Mellaril Tablets 50mg	Vicodin Tablets	Omnipen Capsules 500mg
106 Pavabid Capsules 150mg	Norinyl 1-50 21	Macrodantin Capsules 50mg
107 Tegretol Tablets 200mg	Librium Capsules 10mg	Catapres Tablets 0.1mg
108 Actifed Syrup	Dimetapp Elixir	Persantine Tablets 50mg
109 Hydergine Oral Tablets 1mg	Sinemet Tablets 25/250	Triavil Tablets 2-25
110 Elavil Tablets 25mg	Valium Tablets 2mg	Aldomet Tablets 500mg
111 Antivert Tablets 25mg	Demulen Triopack	Orinase Tablets 500mg
112 Ventolin Inhaler Refill	Persantine Tablets 75mg	Lopressor Tablets 100mg
113 Omnipen Capsules 250mg	Norpace Capsules 150mg	K-Lyte Orange
114 Nitrostat Tablets 0.4mg	Antivert Tablets 25mg	Tenuate Dospan 75mg
115 Aldomet Tablets 500mg	Darvon Compound Pulvules 65	Anaprox Tablets 275mg
116 Demulen TrioPak	Ortho-Novum 1/35 28	Inderal Tablets 80mg
117 Surfak Capsules 240mg	Anaprox Tablets 275mg	Pavabid Capsules 150mg
118 Tolectin DS Capsules 400mg	Lo/Ovral-28	Ru-Tuss Tablets
119 Catapres Tablets 0.1mg	Ventolin Inhaler Refill	Brethine Tablets 2.5mg
120 Isordil Titradose 10mg	Reglan Tablets 10mg	Indocin Capsules 50mg
121 K-Tabs 750mg	Lotrimin Cream 1%	Isordil Titradose 10mg
122 Vibra-Tabs 100mg	Carafate Tablets 1gm	Erythrocin Tablets 250mg
123 Omnipen Capsules 500mg	Minocin Capsules 50mg	Tranxene Capsules 3.75mg
124 Nalfon Tablets 600mg	Macrodantin Capsules 50mg	Moduretic Tablets 5/50
125 E.E.S. Liquid 200	Aldactone Tablets 25mg	Reglan Tablets 10mg
126 Zyloprim Tablets 100mg	Amoxil Capsules 250mg	Tegretol Tablets 200mg
127 Triavil Tablets 2-25	Minocin Capsules 100mg	Pen-Vee K Tablets 250mg
128 Tetracycline Capsules 250mg	Nitrobid Capsules 6.5mg	Ionamin Capsules 30mg
129 Synthroid Tablets 0.2mg	Tenuate Dospan 75mg	Zyloprim Tablets 100mg
130 Pen-Vee K Tablets 250mg	Bendectin Tablets	Proventil Inhaler 17gm
131 Enduron Tablets 5mg	Atarax Tablets 25mg	Tuss Ornade Spansules
132 Sumycin Capsules 250mg	Quinidex Extentabs	Medrol 4mg Dospak
133 Brethine Tablets 2.5mg	Catapres Tablets 0.2mg	Atarax Tablets 25mg
134 Ru-Tuss Tablets	Dolobid Tablets 500mg	Thyroid Tablets 60mg
135 Antivert Tablets 12.5mg	Brethine Tablets 2.5mg	Septra Suspension
136 Flagyl Tablets 250mg	Inderide Tablets 40-25	Enduron Tablets 5mg
137 Erythrocin Tablets 250mg	Fiorinal Tablets	Insulin NPH U-100
138 Ceclor Pulvules 250mg	E-Mycin Tablets 250mg	Timoptic Ophthalmic Soln 0.25%
139 Lopressor Tablets 100mg	Depakene Capsules 250mg	Bendectin Tablets
140 Erythrocin BA Filmtab 250mg	Isordil Titradose 10mg	Combid Spansules
141 Macrodantin Capsules 50mg	Moduretic Tablets 5/50	Erthromycin B.A. Filmtabs 250mg
142 Inderal Tablets 80mg	Procan SR Tablets 500mg	Provera Tablets 10mg
143 Mellaril Tablets 100mg	Norpace Capsules 100mg	Robaxin Tablets 750mg
144 Ovulen-21 Compak 1mg	Naprosyn Tablets 500mg	Inderide Tablets 40-25
145 Tuss-Ornade Spansules	Duricef Capsules 500mg	Tolinase Tablets 250mg
146 Benadryl Elixir	Elavil Tablets 25mg	Minipress Capsules 2mg
147 Apresoline Tablets 25mg	Ovulen-21 Compak 1mg	Fastin Capsules 30mg
148 Coumadin Tablets 5mg	Nitrobid Capsules 2.5mg	Norgesic Tablets Forte
149 Timoptic Opthalmic Soln 0.25%	Restoril Capsules 30mg	Antivert Tablets 12.5mg
150 Tranxene Capsules 3.75mg	Benadryl Kapseals 50mg	Benadryl Elixir

*Based on AWP cost.

Top 200 Products Ranked

Number of Rxs	$ Volume	$ Margin*
151 Ativan Tablets 2mg	Haldol Tablets 10mg	Equagesic Tablets
152 Proventil Inhaler 17gm	E-Mycin E.C. Tablets 333mg	Empirin 325mg w/Codeine 60mg
153 K-Lyte Orange	Corgard Tablets 80mg	Tetracycline Capsules 250mg
154 Septra Suspension	Enduron Tablets 5mg	Dolobid Tablets 500mg
155 Provera Tablets 10mg	Ionamin Capsules 30mg	Valisone Cream 0.1%
156 Esidrix Tablets 50mg	Haldol Concentrate	Sumycin Capsules 250mg
157 Persantine Tablets 50mg	Combid Spansules	Fiorinal Capsules
158 Moduretic Tablets 5/50	Meclomen Capsules 100mg	Quinaglute Duratabs
159 Tolinase Tablets 250mg	Minipress Capsules 5mg	Hygroton Tablets 25mg
160 Medrol 4mg 21 Dospak	Amoxil Suspension 125mg/5ml	Pediazol Suspension
161 Tenuate Dospan 75mg	Synthroid Tablets 0.1mg	Imodium Capsules 2mg
162 Hygroton Tablets 25mg	Zyloprim Tablets 100mg	Eryc Capsules 250mg
163 Indocin Capsules 50mg	Mellaril Tablets 100mg	Phenergan VC w/ Codeine
164 Atarax Tablets 25mg	Salutensin Tablets	Actifed-C Expectorant
165 Anaprox Tablets 275mg	K-Tabs 750mg	Trinalin Tablets
166 Hydrochlorothiazide tablets 50mg	Phenaphen w/Codeine #3	Bactrim Pediatric Suspension
167 Valisone Cream 0.1%	Indocin SR 75mg	Esidrix Tablets 50mg
168 Reglan Tablets 10mg	Proventil Inhaler 17gm	Coumadin Tablets 5mg
169 Fiorinal Capsules	Tranxene Capsules 3.75mg	Duricef Capsules 500mg
170 Sinequan Capsules 25mg	Norgesic Forte Tablets	Tagamet Tablets 200mg
171 Phenobarbital Tablets 30mg	Limbitrol Tablets 10-25	Phenergan Expectorant Plain
172 Phenergan Expectorant Plain	Apresoline Tablets 25mg	Quinamm Tablets
173 Combid Spansules	Triavil Tablets 2-10	Synthroid Tablets 0.2mg
174 Ovral-28 Pilpak	Danocrine Capsules 200mg	Klotrix Tablets 10meq
175 Inderide Tablets 40-25	Valisone Cream 0.1%	Entex LA
176 Equagesic Tablets	Triavil Tablets 4-25	Premarin Vaginal Cream
177 Minipress Capsules 2mg	Regroton Tablets	A.P.C. w/Codeine 60mg
178 Phenergan VC w/Codeine	Medrol 4mg 21 Dosepak	Soma Compound
179 Actifed-C Expectorant	Aldoril-15 Tablets	Desyrel Tablets 50mg
180 Ionamin Capsules 30	Brethine Tablets 5mg	Novahistine DH Elixir
181 Trinalin Tablets	Provera Tablets 10mg	Triavil Tablets 2-10
182 Bactrim Pediatric Suspension	Geocillin Tablets	Spectrobid Tablets 400mg
183 Nitrobid Capsules 2.5mg	Vanceril Inhaler 16.8gm	Naldecon Pediatric Syrup
184 Klotrix Tablets 10meq	Atromid S Capsules 500mg	Minocin Capsules 50mg
185 Nesoporin Ophthalmic Drops	Macrodantin Capsules 100mg	Sinequan Capsules 25mg
186 Robaxin Tablets 750	Sinemet Tablets 10/100	Cortisporin Otic Solution
187 Ortho-Novum 1/80 21	Fastin Capsules 30mg	Soma Tablets 350
188 Diuril Tablets 500mg	Omnipen Capsules 500mg	Tussionex Liquid
189 Mylanta Liquid	Spectrobid Tablets 400mg	Entex Capsules
190 Empirin 325mg w/Codeine 60mg	Empirin 325mg w/Codeine 60mg	Nitrobid Capsules 2.5mg
191 Entex-LA	Coumadin Tablets 5mg	Aldactone Tablets 25mg
192 Nitroglycerine Tablets 0.4mg	Benadryl Capsules 25mg	Minocin Capsules 100mg
193 Mysoline Tablets 250mg	Parlodel Tablets 2.5mg	Persantine Tablets 75mg
194 Bendectin Tablets	Tuss-Ornade Spansules	Vanceril Inhaler 16.8gm
195 Norgesic Forte Tablets	Achromycin V Capsules 250mg	Neosporin Ophthalmic Drops
196 Eryc Capsules 250mg	Nitro-Dur Patch	Kwell Shampoo
197 Hydrodiuril Tablets 25mg	Antivert Tablets 12.5mg	Ambenyl Expectorant
198 Entex Capsules	E.E.S. Liquid 200	Amoxil Capsules 500mg
199 Synthroid Tablets 0.15mg	Sinequan Capsules 50mg	Catapres Tablets 0.2mg
200 Kwell Shampoo	Sinequan Capsules 25mg	Nitrostat Tablets 0.4mg

*Based on AWP cost.

Note: Data supplied here is based on information collected during October 1982.

Seasonal variations will result in some shifts among products.

Source: Decision Data

Top 200 Ranked By Manufacturer

Drug Store News has compiled a list of the Top 200 pharmaceuticals as of October 1982 in a unique form in this section of the Reference. Not only is the information presented by prescription volume, dollar volume and dollar margin, but the products are now categorized by the manufacturer for the convenience of our readers. This information is useful, not only in recognizing trends among the major pharmaceutical houses, but also when ordering merchandise and establishing inventory levels.

Our previous Top 200 list is arranged alphabetically by drug product and this one is presented alphabetically by manufacturer. These two formats conform to the inventory styles of most pharmacies and allow the pharrnacist to quickly compare his inventory and ordering patterns to the drug product standings by dollar volume, prescription volume and dollar margin in these lists.

This chart simplifies the ordering process for the top products. For example, Merck Sharpe & Dohme products placed very high in the rankings and would make a profitable direct order. Ayerst and Roche had four and three products respectively in the Top 30 ranked by Rx volume.

Drug	Number of Rxs	$ Volume	$ Margin*
ABBOTT LABS			
Depakene Cap 250mg	—	139	—
EES Tabs 200	—	—	86
EES Tabs 400	27	43	25
EES Liquid 200	—	198	104
Erythrocin BA Filmtab 250mg	140	—	141
Erythrocin Tabs 250mg	137	—	122
K-Tabs 750mg	121	165	103
Tranxene Caps 3.75mg	150	169	123
Tranxene Caps 7.5mg	65	—	53
AYERST			
Atromid S Caps 500mg	—	184	—
Inderal Tabs 10mg	17	30	23
Inderal Tabs 20mg	19	23	20
Inderal Tabs 40mg	10	5	11
Inderal Tabs 80mg	142	60	116
Inderide Tabs 40-25	175	136	144
Mysoline Tabs 250mg	193	184	—
Premarin Tabs 0.625mg	40	75	48
Premarin Tabs 1.25mg	29	41	40
Premarin Vaginal Cream	—	—	176
BEECHAM LABS			
Amoxil Caps 250mg	72	126	65
Amoxil Caps 500mg	—	—	198
Amoxil Susp 125mg/5ml	60	160	67
Amoxil Susp 250/mg/5ml	44	84	51
Fastin Caps 30mg	—	187	147
BERLEX			
Quinaglute Duratabs	—	67	158
BOEHRINGER INGELHEIM LTD.			
Catapres Tabs 0.1mg	119	98	107
Catapres Tabs 0.2mg	—	133	199
Persantine Tabs 25mg	52	34	46
Persantine Tabs 50mg	157	72	108
Persantine Tabs 75mg	—	112	193
BOOTS PHARMACEUTICALS			
Ru-Tuss Tabs	134	—	118
BRISTOL LABS			
Naldecon Pediatric Syrup	—	—	183
Naldecon Tabs	102	90	88
Salutensin Tabs	—	164	—
BURROUGHS WELLCOME CO.			
Actifed Tabs	24	71	28
(Burroughs Wellcome Co.)			
Actifed Syrup	108	—	102
Actifed-C Expectorant	179	—	164
A.P.C. w/Codeine 60mg	—	—	177
Cortisporin Otic Soln	—	—	186
Empirin 325 w/Codeine 30mg	15	45	14
Empirin 325 w/Codeine 60mg	190	190	152
Lanoxin Tabs 0.125mg	9	77	17
Lanoxin Tabs 0.250mg	8	64	16
Neosporin Ophth Drops	185	—	195
Septra Suspension	154	—	135
Septra-DS 20-pak	46	39	34
Zyloprim Tabs 100mg	126	162	129
Zyloprim Tabs 300mg	85	47	70
CIBA PHARMACEUTICAL CO.			
Apresoline Tabs 25mg	147	172	—
Esidrix Tabs 50mg	156	—	167
Ser-Ap-Es Tabs	55	48	66
Slow K Tabs 600mg	6	9	7
Transderm-Nitro 5mg	—	103	—
DISTA PRODUCTS CO.			
Keflex Caps 500mg	41	12	21
Keflex Pulvules 250mg	18	11	8
Nalfon Tabs 600mg	124	61	91
DORSEY LABS			
Hydergine Oral Tabs 1mg	109	42	86
ENDO LABS INC.			
Coumadin Tabs 5mg	148	191	168
Percodan Tabs	67	83	44
FLINT LABS			
Synthroid Tabs 0.1mg	56	161	76
Synthroid Tabs 0.15mg	199	—	—
Synthroid Tabs 0.2mg	129	—	173
GEIGY			
Brethine Tabs 2.5mg	133	135	119
Brethine Tabs 5mg	—	180	—
Lopressor Tabs 50mg	20	18	18
Lopressor Tabs 100mg	139	52	112
Tegretol Tabs 200mg	107	54	126
GLAXO INC.			
Ventolin Inhaler Refill	112	119	95

Top 200 Ranked By Manufacturer

Drug	Number of Rxs	$ Volume	$ Margin*
HOECHST-ROUSSELL			
Lasix Tabs 20mg	33	82	41
Lasix Tabs 40mg	4	10	6
Surfak Caps 240mg	117	—	—
IVES LABORATORIES			
Isordil Titradose 10mg	120	140	121
Synalgos-DC Caps	32	63	27
KEY PHARMACEUTICALS			
Nitro-Dur Patch	—	196	—
Theo-Dur Tabs 200mg	90	94	78
Theo-Dur Tabs 300mg	61	56	56
KNOLL PHARMACEUTICAL CO.			
Vicodin Tabs	59	105	47
LEDERLE LABS			
Achromycin Caps 250mg	51	195	73
Minocin Caps 50mg	—	123	184
Minocin Caps 100mg	—	127	192
LILLY, ELI & CO.			
Ceclor Pulvules 250mg	138	68	87
Darvocet-N Tabs 100mg	7	8	5
Darvon Compound Pulvules 65	80	115	68
V-Cillin K Tabs	93	—	94
MARION LABORATORIES INC.			
Ambenyl Expectorant	—	—	197
Carafate Tabs 1mg	—	122	—
Nitrobid Caps 2.5mg	—	148	—
Nitrobid Caps 6.5mg	183	128	190
Pavabid Caps 150mg	106	85	117
McNEIL PHARMACEUTICALS			
Haldol Concentrate	—	156	—
Haldol Tabs 10mg	—	151	—
Parafon Forte Tabs	70	57	49
Tolectin DS Caps 400mg	118	40	80
Tylenol w/Codeine 30mg	5	21	4
Tylenol w/Codeine 60mg	81	79	45
Zomax Tabs 100mg	16	17	10
MEAD JOHNSON PHARM.			
Desyrel Tabs 50mg	—	—	179
Duricef Caps 500mg	—	145	169
K-Lyte Orange	153	101	113
Klotrix Tabs 10mEq	184	—	174
MERCK SHARPE & DOHME			
Aldomet Tabs 250mg	12	7	15
Aldomet Tabs 500mg	115	37	110
Aldoril-15 Tabs	—	179	—
Aldoril-25 Tabs	50	32	55
Clinoril Tabs 150mg	101	33	85
Clinoril Tabs 200mg	49	14	37
Cogentin Tabs 2mg	79	—	—
Diuril Tabs 500mg	188	—	—
Dolobid Tabs 500mg	—	134	154
Elavil Tabs 25mg	110	146	100
Flexeril Tabs 10mg	58	38	63

Drug	Number of Rxs	$ Volume	$ Margin*
(Merck Sharpe & Dohme)			
Hydrodiuril Tabs 25mg	197	—	—
Hydrodiuril Tabs 50mg	38	91	60
Indocin Caps 25mg	35	24	35
Indocin Caps 50mg	163	65	120
Indocin SR 75mg	—	167	—
Moduretic Tabs 5/50	158	141	124
Sinemet Tabs 10/100	—	186	—
Sinemet Tabs 25/250	—	109	—
Timoptic Ophth Soln 0.25%	149	104	138
Timoptic Ophth Soln 0.5%	73	36	63
Triavil Tabs 2-10	—	173	181
Triavil Tabs 2-25	127	78	109
Triavil Tabs 4-25	—	176	—
MERRELL DOW			
Bendectin Tabs	194	130	139
Novahistine DH Elixir	—	—	180
Quinamm Tabs	—	—	172
Tenuate Dospan 75mg	161	129	114
NORWICH-EATON			
Entex Caps	198	—	189
Entex LA	191	—	175
Macrodantin Caps 50mg	141	124	106
Macrodantin Caps 100mg	—	185	—
ORTHO PHARMACEUTICAL			
Imodium Caps 2mg	—	—	161
Monistat-7 Vaginal Cream	37	44	32
Ortho-Novum 1/35-21	74	88	—
Ortho-Novum 1/35-28	98	116	—
Ortho-Novum 1/50-21	34	46	—
Ortho-Novum 1/50-28	100	99	—
Ortho-Novum 1/80-21	187	—	—
PARKE DAVIS			
Bendaryl Caps 25mg	64	192	75
Benadryl Elixir	146	—	150
Benadryl Kaps 50mg	69	150	73
Dilantin Kaps 100mg	11	28	26
Eryc Caps 250mg	196	—	162
Meclomen Caps 100mg	—	158	—
Nitrostat Tabs 0.4mg	114	—	200
Procan SR Tabs 500mg	—	142	—
PENNWALT			
Ionamin Caps 30mg	180	155	128
Tussionex Liquid	—	—	188
PFIZER LABS			
Antivert Tabs 12.5mg	135	197	149
Antivert Tabs 25mg	111	114	99
Diabinese Tabs 250mg	25	16	39
Feldene Caps 20mg	21	4	9
Minipress Caps 1mg	87	74	82
Minipress Caps 2mg	177	92	146
Minipress Caps 5mg	—	159	—
Procardia Caps 10mg	42	19	—
Vibramycin Caps 100mg	75	35	54
Vibra Tabs 100mg	122	62	90

Top 200 Ranked By Manufacturer

Drug	Number of Rxs	$ Volume	$ Margin*
REED & CARNRICK			
Kwell Shampoo	200	—	196
RIKER LABS INC.			
Norgesic Tablets Forte	195	170	148
ROBINS, A.H., CO.			
Dimetapp Elixir	31	108	33
Dimetapp Extentab	36	76	42
Donnatal Tabs	57	—	79
Phenaphen w/Codeine #3	62	166	59
Quindex Extentabs	—	132	—
Reglan Tabs 10mg	168	120	125
Robaxin Tabs 750	186	—	143
ROCHE			
Accutane Caps 40mg	—	87	—
Bactrim D.S. 28-pak	26	26	22
Bactrim Pediatric Susp	182	—	166
Dalmane Caps 15mg	53	100	50
Dalmane Caps 30mg	14	27	12
Librax Caps	48	51	58
Librium Caps 10mg	92	107	96
Limbitrol Tabs 10-25	—	171	—
Valium Tabs 2mg	63	110	77
Valium Tabs 5mg	3	3	3
Valium Tabs 10mg	30	20	30
ROERIG, J.B. & CO.			
Atarax Tabs 25mg	164	131	133
Geocillin Tabs	—	182	—
Sinequan Caps 25mg	170	200	—
Sinequan Caps 50mg	—	199	185
Spectrobid Tabs 400mg	—	189	182
ROSS LABS			
Pediazol Suspension	—	—	160
SANDOZ			
Fiorinal Caps	169	—	157
Fiorinal Tabs	84	137	74
Fiorinal w/Codeine #3	77	95	57
Mellaril Tabs 25mg	86	69	98
Mellaril Tabs 50mg	105	102	—
Mellaril Tabs 100mg	143	163	—
Parlodel	—	193	—
Restoril Caps 30mg	83	149	69
SCHERING			
Drixoral Tabs	68	86	64
Lotrimin Cream 1%	95	121	84
Proventil Inhaler 17gm	152	168	130
Trinalin Tabs	181	—	165
Valisone Cream 0.1%	167	175	155
Vanceril Inhaler 16.8gm	—	183	194
SEARLE LABS			
Aldactazide Tabs	78	49	89
Aldactone Tabs 25mg	—	125	191
Demulen Triopak	116	111	—
Flagyl Tabs 250mg	136	58	97
Lomotil Tabs 2.5mg	45	55	38
Norpace Caps 100mg	—	143	—
Norpace Caps 150mg	—	113	—
Ovulen-21 Compak 1mg	144	147	—

Drug	Number of Rxs	$ Volume	$ Margin*
SMITHKLINE & FRENCH			
Combid Spansules	173	157	140
Dyazide Caps	1	2	1
Ornade Spansules	66	89	61
Tagamet 200mg	—	97	170
Tagamet 300mg	2	1	2
Tuss-Ornade Spansules	145	194	131
SQUIBB PHARMACEUTICAL			
Corgard Tabs 40mg	94	53	71
Corgard Tabs 80mg	—	153	—
Mycolog Cream	97	96	83
Sumycin Caps 250mg	132	—	156
STUART PHARMACEUTICALS			
Mylanta	189	—	—
Nolvadex Tabs 10mg	—	70	—
Tenormin Tabs 50mg	47	22	29
SYNTEX LABORATORIES			
Anaprox Tabs 275mg	165	117	115
Naprosyn Tabs 250mg	43	15	31
Naprosyn Tabs 375mg	82	25	43
Naprosyn Tabs 500mg	—	144	—
Norinyl 1-50 21	99	106	—
USV LABORATORIES			
Hygroton Tabs 25mg	162	—	159
Hygroton Tabs 50mg	54	59	62
Regroton Tabs	—	177	—
UPJOHN CO.			
E-Mycin E.C. Tabs 333mg	103	152	92
E-Mycin Tabs 250mg	89	138	93
Medrol 4mg Dospak	160	178	132
Motrin Tabs 400mg	13	6	13
Motrin Tabs 600mg	23	13	19
Orinase Tabs 500mg	96	81	111
Provera Tabs 10mg	155	181	142
Tolinase Tabs 250mg	159	80	145
WALLACE LABS			
Soma Compound	—	—	178
Soma Tablets 350	—	—	187
WINTHROP LABS			
Danocrine Caps 200mg	—	174	—
Talwin Tabs 50mg	91	73	52
WYETH LABS			
Ativan Tabs 1mg	28	29	24
Ativan Tabs 2mg	151	—	—
Equagesic Tabs	176	—	151
Lo/Ovral 21-pak	22	31	—
Lo/Ovral 28	104	118	—
Omnipen Caps 250mg	113	—	101
Omnipen Caps 500mg	123	188	105
Ovral 21 3-pak	39	50	—
Ovral-28 Pilpak	174	—	—
Pen-Vee K Tabs 250mg	130	—	127
Phenergan Expect w/Codeine	88	—	81
Phenergan Expect Plain	172	—	171
Phenergan VC w/Codeine	178	—	163

Dispensing Profiles

Selecting a method for pricing competitive products in the prescription department remains a major decision for most pharmacists because this determines the "price image" of the pharmacy. In this section a method of pricing is suggested but first competitive products must be identified.

One method of selecting competitive products involves going through a pharmacy's drug usage report (see section titled Planning Different Pricing Strategies, which can be computer generated) and listing the most frequently dispensed drug in descending order. The section titled the Top 200 Drugs should give pharmacists an idea of the leading products.

The list here represents a hypothetical example of what a store's selection might look like.

Drug Description	No. of Non-Third Party Rxs Per Month	% Refills	Avg. Price per Rx	$ Margin
Dyazide	40	71	$11.09	2.99
Valium 5mg	35	43	11.16	3.12
Lasix 40mg	30	65	9.02	3.17
Tylenol w/Codeine 30mg	29	26	6.64	3.88
Tagamet 300mg	23	58	25.27	3.67
Lanoxin 0.25mg	21	70	3.54	2.50
Hydrodiuril 50mg	8	75	7.03	2.95
Librax Caps	7	55	10.37	3.01

To select the top drugs for competitive pricing purposes, those drugs with per cent refill rates below 50% are eliminated. For example, of all prescriptions for Tylenol with Codeine 30mg, only 26% are refills.

Generally, products for acute care are not included among a competitive products listing because of their low refill rates.

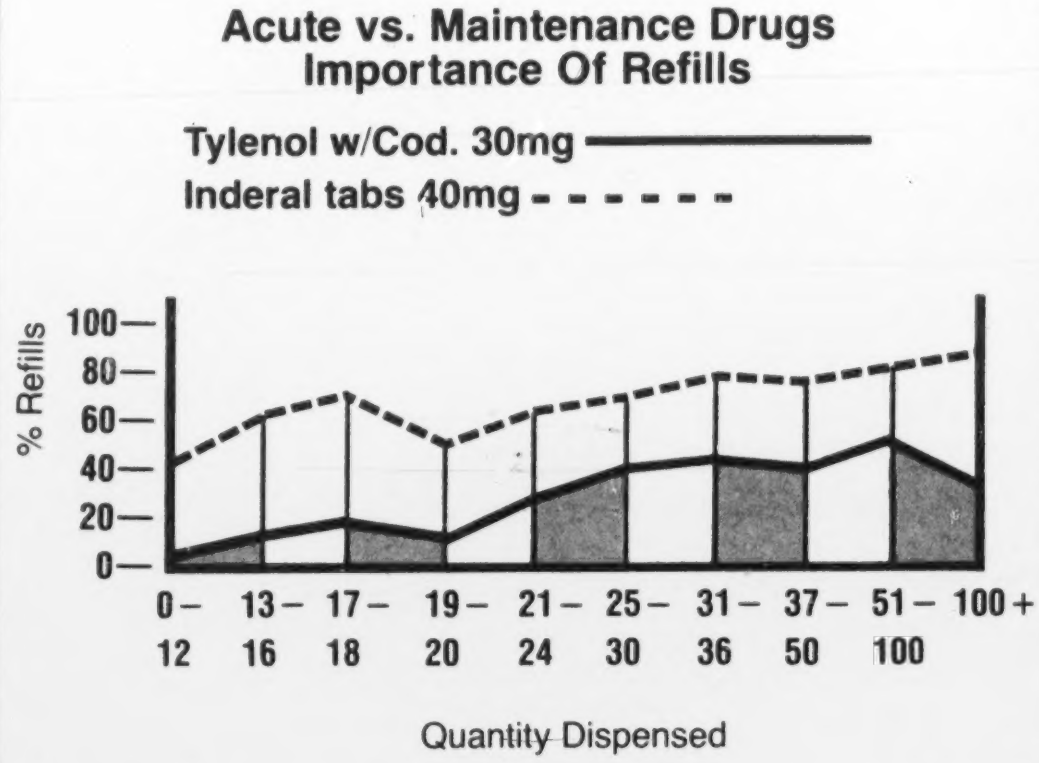
Maintenance care products such as Aldomet, Lasix, Dyazide, Lanoxin, Clinoril and Tagamet are another matter. These products have above average refill rates and represent repeat purchases and increased store traffic. As a result, these products are frequently discounted.

There are exceptions to the rule of eliminating drugs with refill rates below 50%. Legal or medical reasons sometimes necessitate a new prescription even though therapy is on a continual basis. For example, Valium is a controlled substance and Keflex is an antibiotic product that only requires short-term therapy. So new prescriptions are frequently written and the per cent refill for each falls below 50%.

After the list is compiled, drugs toward the bottom should be examined critically. Every drug that can no longer justify its position on the list should be removed. For the sake of completeness pharmacists should consider adding alternative product strengths to the list, i.e., Valium 2mg and Lasix 20mg.

The end result is a list of 20 to 30 discounted products, which determine a pharmacy's image.

Acute vs. Maintenance Drugs
Importance Of Refills



Pricing

If a pharmacy charges a flat fee plus cost for any and all drug quantities dispensed, then chances are margins on selected products are lower than they could be. Also, for selected quantities dispensed, the pharmacy may find itself at a price disadvantage vis-a-vis competition.

In this section, the distribution of prescription quantity dispensed for selected brands is presented for October 1982.

Selected quantities dispensed (0-12, 13-16, 17-18, 19-20, 21-24, 25-30, 31-36, 37-50, 51-100 and 100+) are described relative to per cent of prescriptions dispensed, per cent refills, average gross margin per cent and contributing to gross margin.

The row labeled "Average Refill % by Dispensed Quantity" indicates refills as a percentage of all scripts relative to the various quantities of drug dispensed.

The percentage of Rx's dispensed and the average gross margin per cent also reflect how these values vary depending on the amount of drug dispensed.

The amount that each prescription quantity contributes to the brand's total gross margin is calculated by multiplying the per cent of scripts dispensed by the average gross margin per cent and dividing the product by 100. When the products are summed they total slightly more than the brand's margin due to rounding.

Information presented here should key pharmacists to the importance of pricing prescriptions on a sliding scale depending on the quantities of drug dispensed. Examination of these tables reveals that % margins are generally lower as the quantity dispensed grows larger. Greatest consumer savings (lower store margins) trace to products dispensed in the 51-100 group.

Rationale for this pricing structure centers on elimination of container cost and fast turnover, i.e., no inventory carryover (unsold quantity). Opening a container, therefore, necessitates an added fee because the undispensed portion has not been sold

Dispensing Profiles

and represents an added (carrying) cost to the retailer.

An examination of the data, also reveals that acute care medications, such as Actifed tabs and Tylenol with Codeine 30mg, have a different prescribing pattern than maintenance care products.

Acute Care Products

Smaller quantities of these acute care products (0-12, and 13-16) usually make significant contributions toward the brand's overall margin. Since quantities of 51-100 are not dispensed frequently, these quantities usually do not make such a sizable contribution to margin.

Maintenance Products

Patterns observed for maintenance products are somewhat different than those noted for acute care medications and therefore have wide application for prepackaging programs. Maintenance drugs are frequently dispensed in large quantities of 51-100, usually 100. Even though per cent margin is lowest for 100's, this quantity is still the single most important contributor to gross margin owing to the sizable percentage of scripts dispensed in this group. In many cases the contribution made by the 51-100 group accounts for more than half of the brand's total gross margin. All other categories (1-50) account for the balance of the brand's gross margin.

The 25-30 group is often the second most frequently prescribed quantity among maintenance drugs.

This represents an opportunity to increase margin by revising pricing schedules of products dispensed in quantities of 50 or less. If for example 50% of the contribution to gross margin is derived from the groups of 50 or less, then for every price increase of 2%, margin will increase 1%. Indeed, this represents the area where many pharmacies should first consider adjustments in their pricing schedules.

Dilantin 100mg represents a typical example of a maintenance drug. Over 70% of all prescriptions

Reading The Tables

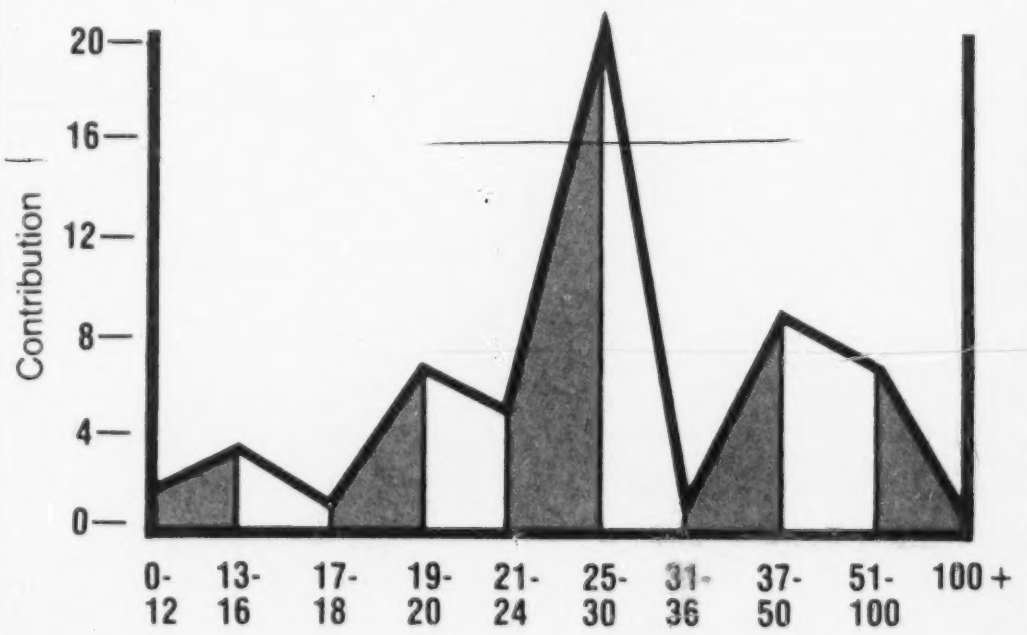
% of Rx Dispensed—This row illustrates the frequency (% of times) that a particular drug product is dispensed for each quantity. The last figure totals all of the prescriptions (100%). Ex. 33% of all prescriptions for Actifed Tabs are dispensed for 25-30 tablets.

Average Refill % by Dispensed Quantity—These figures reveal the average number of times a prescription is refilled based on the quantity in the original script. The last figure in the row reflects the average refill percentage for the drug product (43%). Ex. Twice as many prescriptions for Actifed Tabs, 37-50's, will be refilled than for Actifed 19-20.

Average GM % by Dispensed Category—This row of figures represents the average gross margin per cent that was obtained from a prescription based on the particular quantity dispensed. The final figure is an overall average gross margin for the drug. Ex. A prescription for 12 Actifed Tabs yields an average GM % of 80 while the gross margin for a prescription of 100+ tabs averages 26%.

Contribution of Quantity to GM—This row of figures illustrates which quantity will return the greatest gross margin per cent. (The larger the number here, the greater the gross margin contribution.) This figure is calculated by multiplying the percentage of prescriptions dispensed by the average gross margin per cent for each quantity, and then dividing the product by 100. Ex. Though Actifed Tabs 37-50's average a gross margin of 52%, scripts dispensed for this quantity yield 8.8 points of the product's total margin—53.8 points. Scripts dispensed for 13-16 tabs present another picture. Here average gross margin is 75%, yet the quantities contribute only 3.0 points to the product's overall margin. The reason behind the variance in contribution centers on the quantity of scripts dispensed. Fewer scripts dispensed for 13-16 tabs deflate this quantity's contribution to margin. Scripts dispensed for quantities of 25-30 tablets yield the greatest contribution to Actifed margins.

Chart 1
Actifed Tabs
Contribution of Quantity Dispensed to Gross Margin



Actifed Tabs BW—Avg. Rx #43 $6.39

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	2.61	4.04	1.01	10.49	8.61	32.99	2.88	16.89	19.37	1.06	**100.00**
Avg. Refill % by Disp. Qty.	23.23	23.33	16.67	25.24	36.20	37.47	58.48	50.70	61.97	68.25	42.84
Average GM %	80.03	74.99	71.77	68.85	68.24	61.81	58.68	52.05	38.98	25.75	53.77
Contribution of Quantity to GM*	2.09	3.04	0.73	7.22	5.88	20.39	1.69	8.80	7.56	0.27	**53.78**

*This figure is calculated by multiplying the percentage of ℞ dispensed by the average gross margin and dividing by 100.

filled among the 51-100 group represents refills. At 34.8%, average per cent gross margin for this quantity is, however, slightly higher than usual because many maintenance drugs hve margins below 30%. The 51-100 group also contributes most of the brand's gross margin. This means that all other quantities dispensed contribute 29% (since 51-100 accounts for 22.85/32.89 x 100 = 71%) toward the brand's margin.

As a result, if prices are increased 10% for all scripts in the 1-50 category then gross margin for the brand should advance 1.2%. This represents a quick effective method to advance prescription department margin without losing the pharmacy's price image among patients on maintenance care medications who frequently purchase 100's.

Smaller quantities of medication (1-24), frequently do not have high refill rates, and for many of these products, the smaller quantities take on the characteristics of the acute care medication segment.

Thirty-three well-known products considered to be maintenance or acute care drugs are represented in this section of the reference. Analysis reveals that many pharmacies are indeed using a sliding scale for pricing different quantities and, as a result, many reap profits on products where margins appear low.

Data used throughout this section were provided by Decision Data, a marketing research supplier with 1,100 stores in its sample of pharmacies.

A word of caution, the average number of dosage units dispensed in an average script and the average retail prescription price were determined independent of each other. Therefore it is incorrect to say that for a given medication the average quantity dispensed relate directly to the average retail price, however, the relationship will be close in most instances.

Reading The Charts

Prescriptions Dispensed—This graph points out the breakdown of prescriptions filled by quantity. In the case of Aldactazide, 23% of all scripts are written for 25-30 tabs and the bulk of the scripts, 54%, are written for 51-100 tabs.

Gross Margin %—Pictured here is the relationship between the raw gross margin and the quantity dispensed. This graph for Aldomet shows the average gross margin per cent declining as the quantity of the script goes up.

Chart 2
Aldactazide Tabs
Importance of Quantity to All Rxs Dispensed

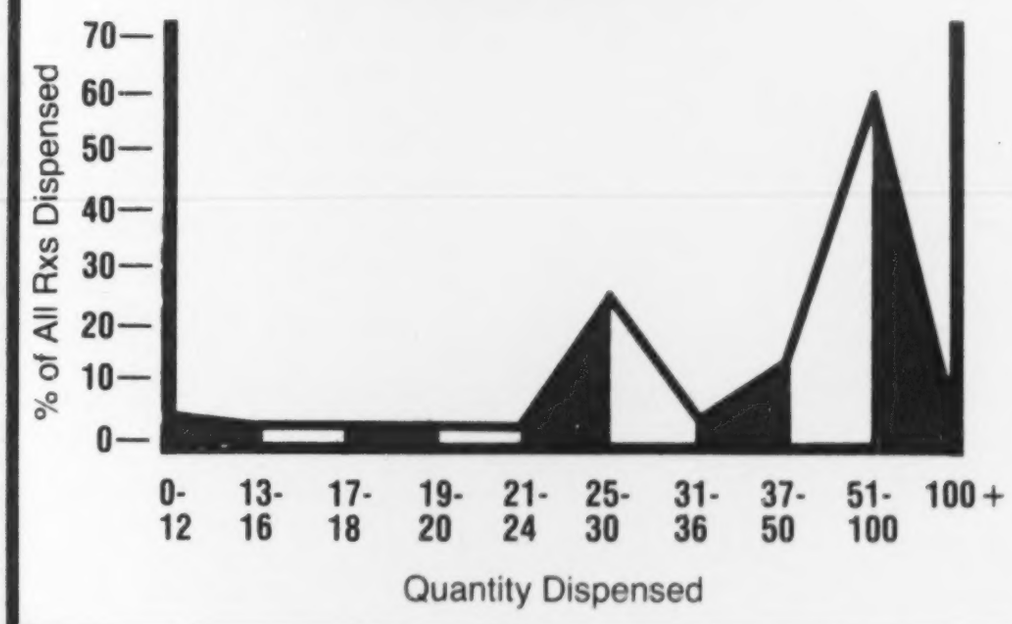
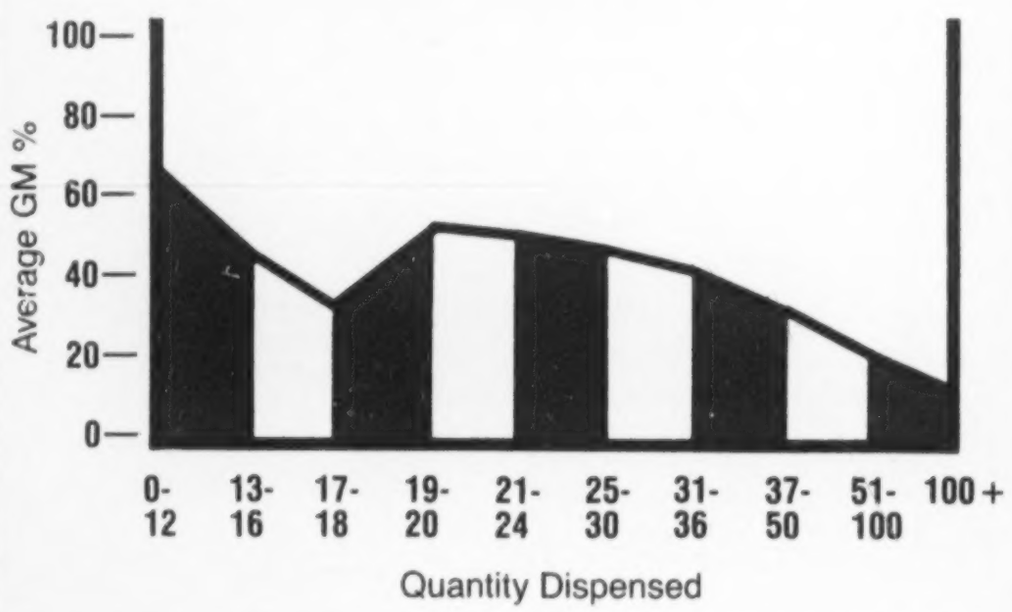


Chart 3
Aldomet Tabs 250mg
Average GM % As A Function of Quantity



Aldactazide Tabs Searle—Avg. Rx #66 $16.51

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.34	1.24	0.06	0.80	0.57	23.34	3.78	11.73	53.65	3.45	**100.00**
Avg. Refill % by Disp. Qty.	62.50	48.65	50.00	62.50	70.59	74.57	78.76	78.57	75.44	75.73	75.08
Average GM %	59.10	48.71	52.12	43.50	45.59	35.15	33.52	27.21	16.03	11.90	20.21
Contribution of Quantity to GM*	0.79	0.60	0.04	0.35	0.26	8.20	1.27	3.20	8.61	0.41	**20.21**

Aldomet Tabs 250mg MSD—Avg. Rx #85 $14.20

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.50	0.59	0.10	0.72	0.34	9.16	1.11	8.03	69.56	9.83	**100.00**
Avg. Refill % by Disp. Qty.	55.32	63.64	40.00	55.22	84.38	67.38	75.73	78.17	74.48	68.17	73.21
Average GM %	63.31	48.19	38.51	51.96	46.28	42.51	40.90	33.32	20.45	15.23	21.59
Contribution of Quantity to GM*	0.32	0.29	0.04	0.38	0.16	3.89	0.46	2.68	14.23	1.50	**21.59**

*This figure is calculated by multiplying the percentage of ℞ dispensed by the average gross margin and dividing by 100.

Dispensing Profiles

Refills—The trends reflected here illustrate the incidence of prescription refills as a function of the quantity dispensed. For Aldoril-25 Tabs, 75% of the scripts for 13-16 tabs are refilled. Due to the maintenance nature of hypertension, refills are very likely for this product regardless of quantity dispensed.

Contribution to GM—This graph illustrates the effect that the quantity dispensed has on contribution to gross margin per cent. For Ativan, prescriptions dispensed for 25-30 tabs contribute the greatest number of points to GM %, smaller quantities contribute less.

Chart 4
Aldoril 25 Tabs
Averge Refill % Based on Quantity Dispensed

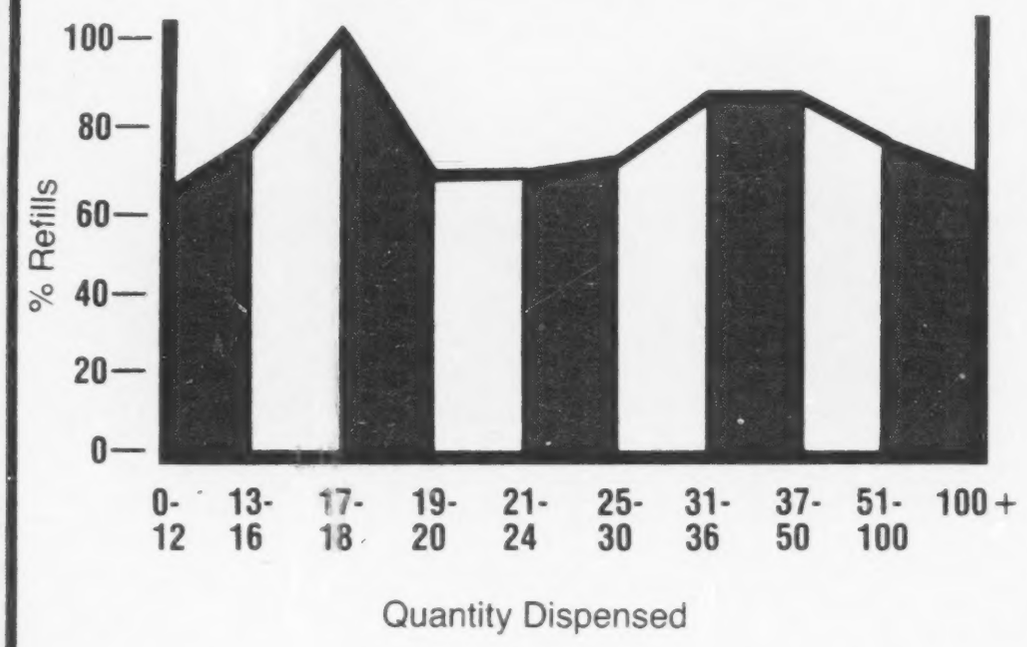
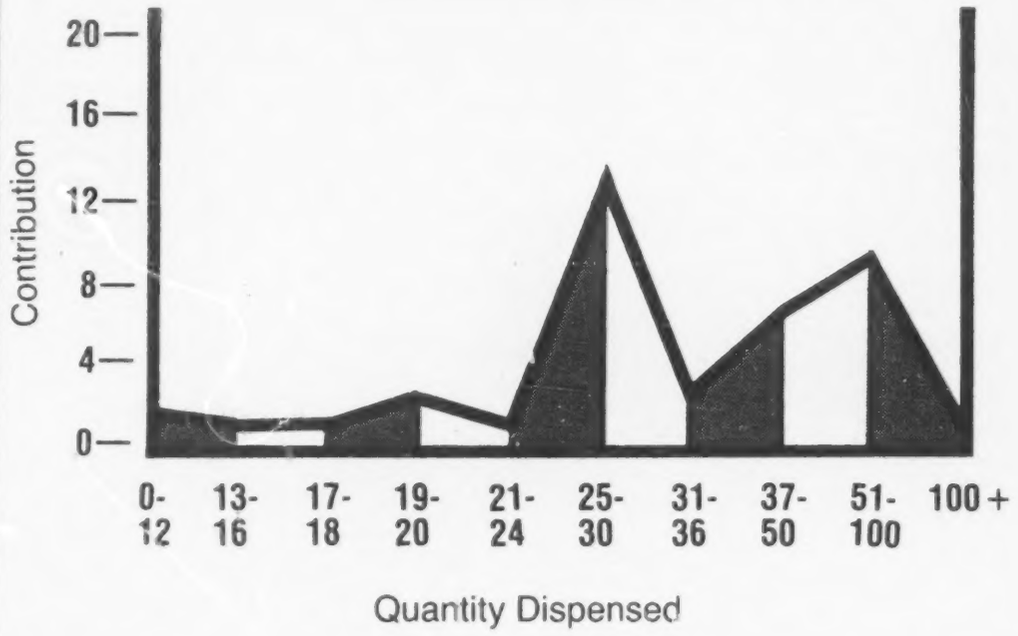


Chart 5
Ativan Tabs 1mg
Contribution of Quantity Dispensed to GM



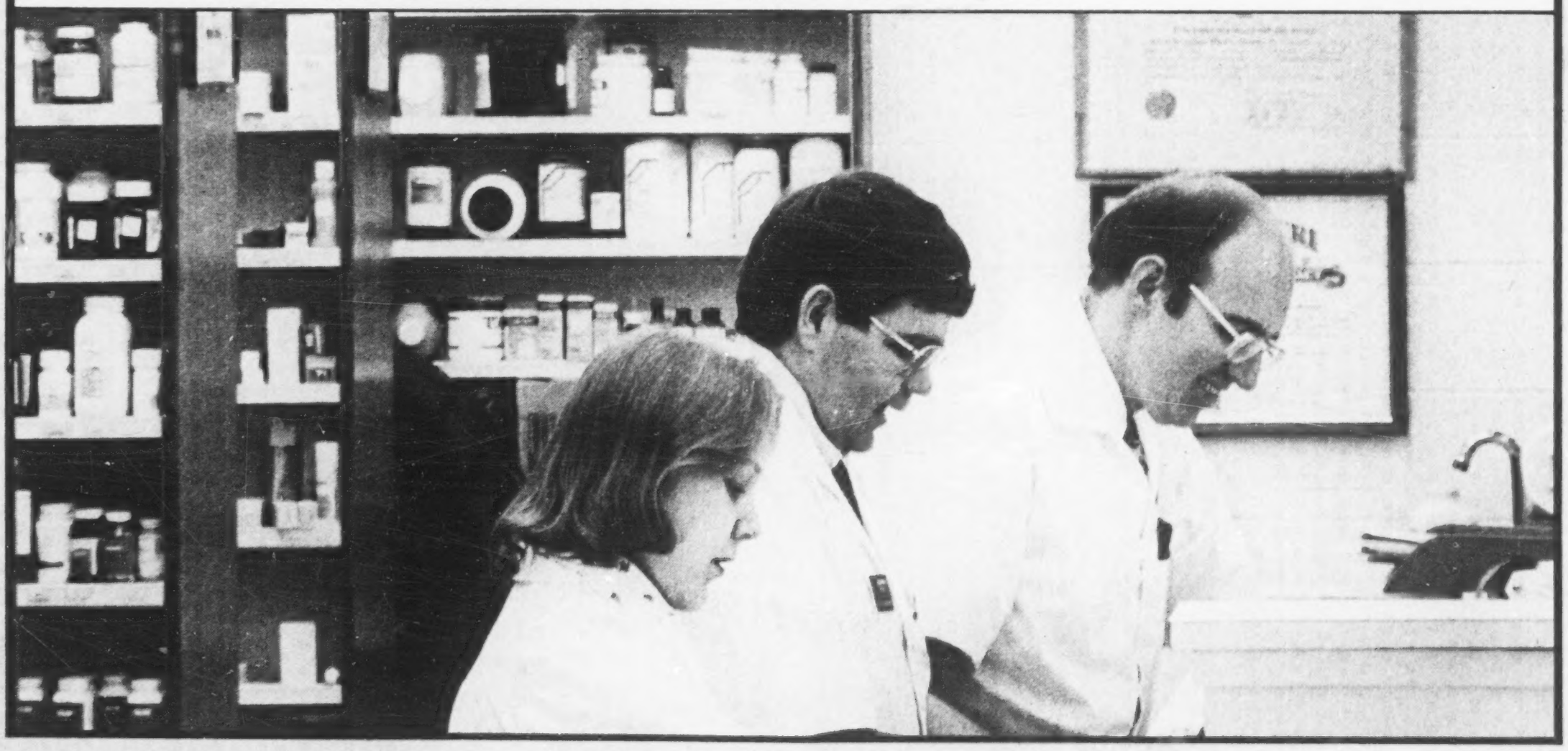
Aldoril-25 Tabs MSD—Avg. Rx #74 $16.78

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.37	0.96	0.10	0.50	0.40	14.07	3.15	10.38	65.95	4.08	**100.00**
Avg. Refill % by Disp. Qty.	64.29	75.00	100.00	73.68	73.33	75.14	84.75	82.01	74.49	73.20	75.62
Average GM %	63.07	48.71	34.21	43.19	42.72	38.66	37.52	29.88	18.92	13.88	21.38
Contribution of Quantity to GM*	0.23	0.47	0.04	0.22	0.17	5.44	1.18	3.11	12.48	0.57	**21.39**

Ativan Tabs 1mg Wyeth—Avg. Rx #51 $12.42

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	2.49	1.69	0.20	4.89	2.64	30.78	2.96	21.41	31.25	1.64	**100.00**
Avg. Refill % by Disp. Qty.	30.30	37.78	45.45	33.20	39.29	42.94	49.04	47.88	49.18	42.53	45.16
Average GM %	66.59	57.79	57.50	53.26	50.78	44.73	41.34	36.27	26.16	14.73	34.00
Contribution of Quantity to GM*	1.66	0.98	0.12	2.60	1.34	13.77	1.23	7.77	8.18	0.24	**34.01**

*This figure is calculated by multiplying the percentage of ℞ dispensed by the average gross margin and dividing by 100.



Dispensing Profiles

Carafate Tabs 1gm Marion—Avg. Rx #73 $24.15

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.20	0.55	0.00	0.92	0.36	9.61	1.47	23.75	54.06	8.04	**100.00**
Avg. Refill % by Disp. Qty.	61.54	33.33	0.00	10.00	50.00	38.46	43.75	57.20	45.47	39.08	46.86
Average GM %	43.59	42.55	0.00	40.06	34.31	33.48	31.98	26.78	17.85	14.08	19.89
Contribution of Quantity to GM*	0.52	0.23	0.00	0.37	0.13	3.22	0.47	6.36	9.65	1.13	**19.90**

Chart 6
Carafate Tabs 1gm
Importance of Quantity to All Rxs Dispensed

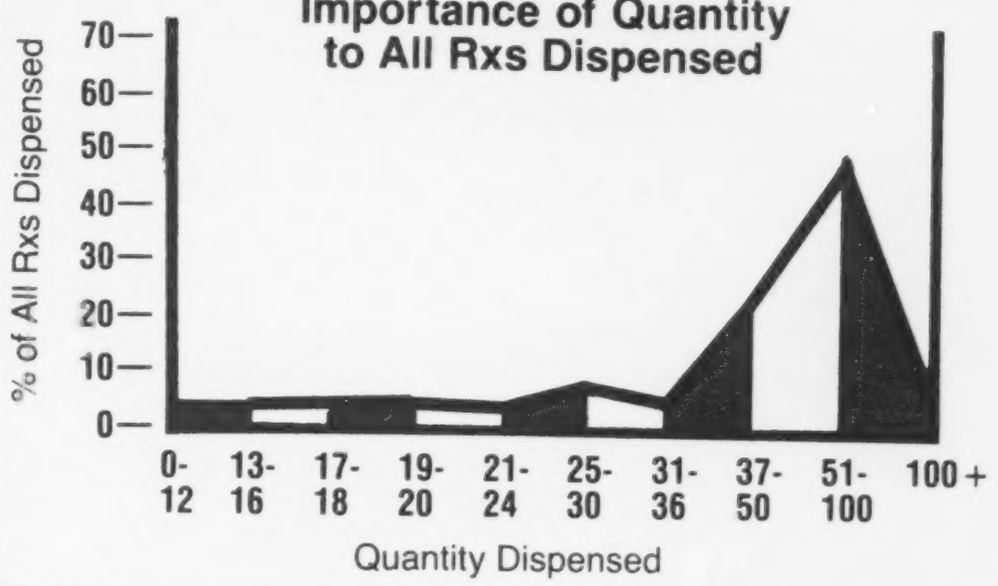
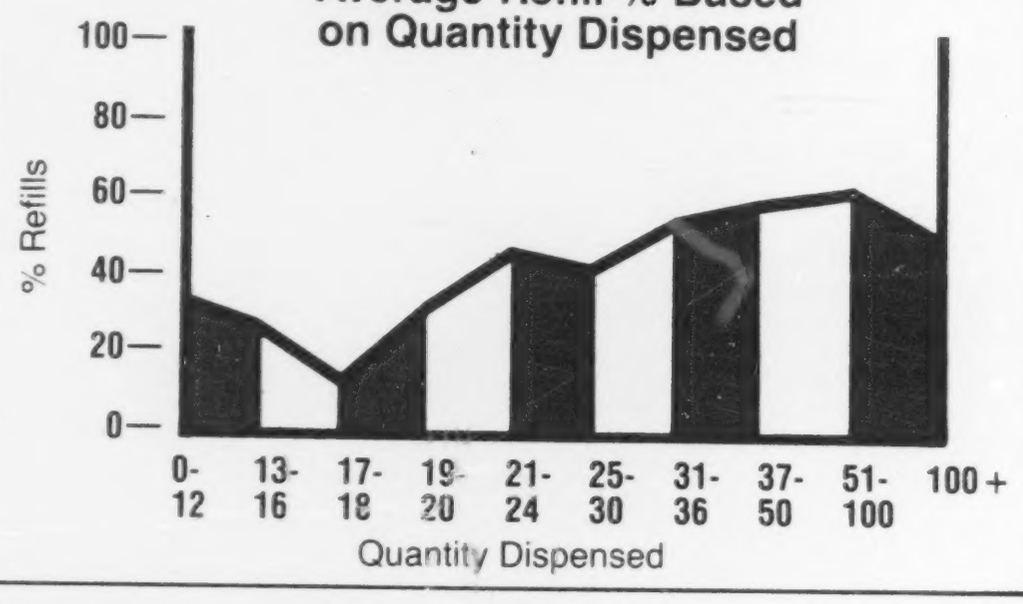


Chart 7
Clinoril 200mg
Average Refill % Based on Quantity Dispensed



Clinoril 200mg MSD—Avg. Rx #54 $29.07

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.58	2.93	0.15	6.89	1.50	20.64	1.34	14.98	48.87	1.05	**100.00**
Avg. Refill % by Disp. Qty.	35.00	28.83	16.67	31.42	47.37	46.99	56.86	60.49	62.30	57.50	54.90
Average GM %	38.82	33.62	30.49	30.41	27.64	22.62	21.51	17.66	12.20	2.92	15.09
Contribution of Quantity to GM*	0.62	0.99	0.05	2.10	0.42	4.67	0.29	2.65	5.97	0.03	**15.10**

Corgard Tabs 40mg Squibb—Avg. Rx #53 $17.60

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.36	2.77	0.15	1.78	0.60	38.38	3.75	15.83	34.51	0.83	**100.00**
Avg. Refill % by Disp. Qty.	47.22	69.86	75.00	51.06	68.75	69.73	73.74	69.30	66.01	63.64	67.84
Average GM %	52.03	46.02	44.27	43.18	36.10	34.25	28.79	26.56	18.39	14.18	24.50
Contribution of Quantity to GM*	0.71	1.27	0.07	0.77	0.22	13.15	1.08	4.21	6.35	0.12	**24.50**

Chart 8
Corgard Tabs 40mg
Contribution of Quantity Dispensed to GM

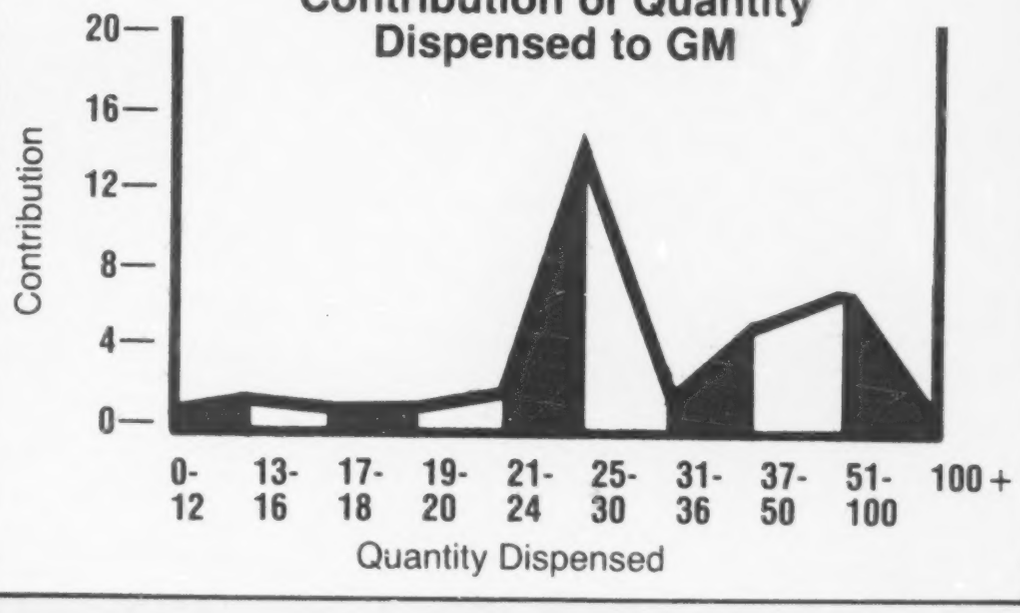
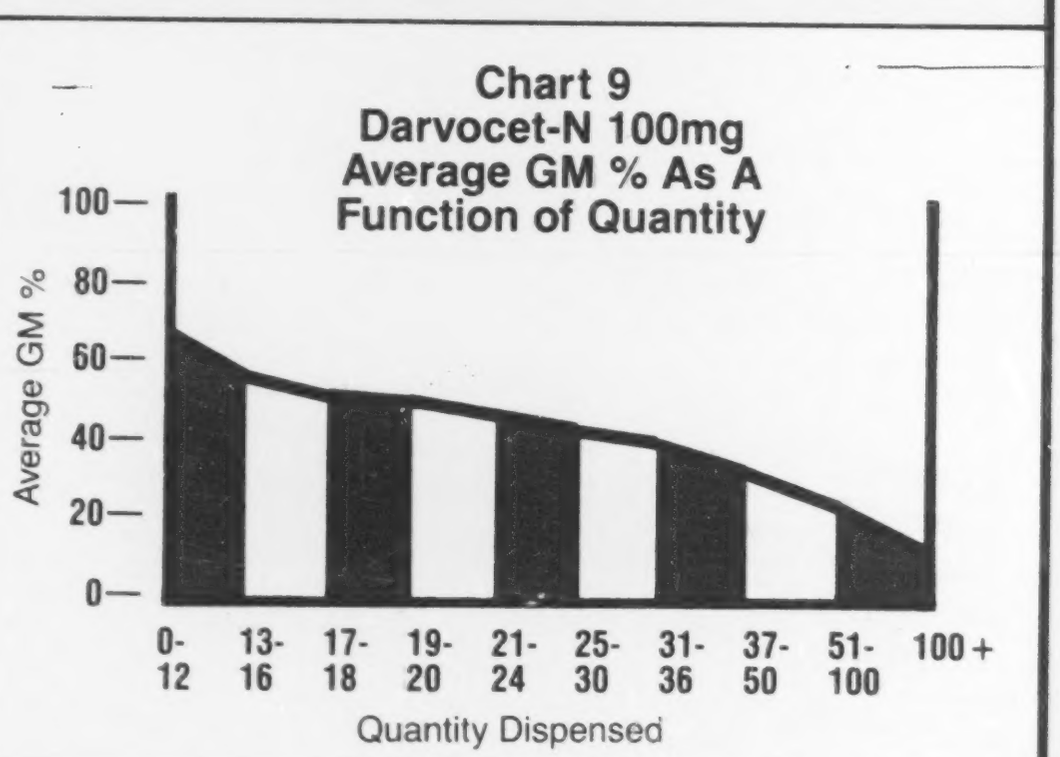


Chart 9
Darvocet-N 100mg
Average GM % As A Function of Quantity



Darvocet-N 100mg Lilly—Avg. Rx #41 $11.50

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	7.32	5.49	1.07	11.78	6.92	26.43	3.64	17.60	18.35	1.33	**100.00**
Avg. Refill % by Disp. Qty.	9.90	14.65	21.31	18.24	29.54	32.41	40.53	45.20	51.06	54.97	34.07
Average GM %	64.85	58.54	53.79	51.98	48.28	43.87	40.05	35.00	23.68	13.79	36.44
Contribution of Quantity to GM*	4.75	3.22	0.58	6.13	3.34	11.60	1.46	6.16	4.35	0.18	**36.45**

*This figure is calculated by multiplying the percentage of ℞ dispensed by the average gross margin and dividing by 100.

Dispensing Profiles

Diabinese Tabs 250mg Pfizer—Avg. Rx #65 $19.25

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.62	1.59	0.12	0.93	0.37	24.63	3.18	11.17	53.71	2.63	**100.00**
Avg. Refill % by Disp. Qty.	51.09	57.78	71.43	79.25	66.67	67.12	72.78	73.73	69.05	65.77	68.75
Average GM %	41.23	39.09	41.95	39.74	30.11	28.63	28.94	20.07	11.64	6.45	15.13
Contribution of Quantity to GM*	0.67	0.62	0.05	0.37	0.11	7.05	0.92	2.24	6.25	0.17	**15.13**

Chart 10
Diabinese Tabs 250mg
Importance of Quantity to All Rxs Dispensed

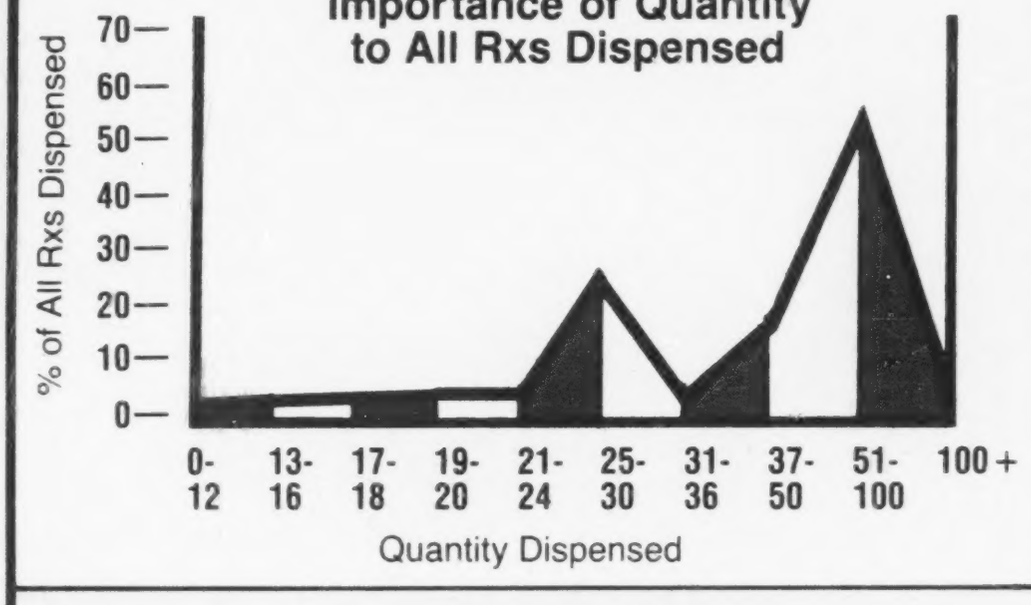
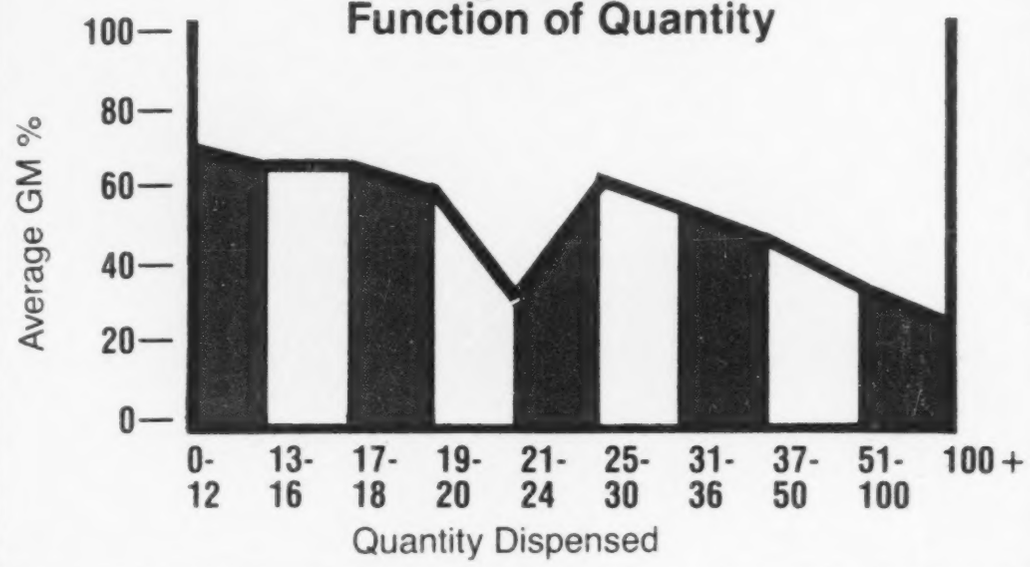


Chart 11
Dilantin Kaps 100mg
Average GM % As A Function of Quantity



Dilantin Kaps 100mg Parke Davis—Avg. Rx #101 $7.33

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.77	0.81	0.03	0.39	2.47	3.50	0.55	4.54	65.63	20.26	**100.00**
Avg. Refill % by Disp. Qty.	26.51	52.63	33.33	51.35	60.61	60.86	71.15	65.09	71.52	70.28	69.29
Average GM %	70.41	65.07	69.80	65.49	35.66	60.10	54.37	49.29	34.82	23.87	32.38
Contribution of Quantity to GM*	1.25	0.53	0.02	0.26	0.88	2.10	0.30	2.24	22.85	4.84	**32.39**

Dyazide Caps SKF—Avg. Rx #65 $11.09

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.12	1.36	0.08	1.43	0.57	26.23	3.66	11.60	51.30	2.59	**100.00**
Avg. Refill % by Disp. Qty.	48.65	56.41	65.00	58.36	67.94	69.41	74.91	72.52	72.30	68.96	70.86
Average GM %	69.89	59.57	60.41	54.39	50.93	44.80	44.33	34.40	20.91	13.70	26.97
Contribution of Quantity to GM*	0.79	0.81	0.05	0.78	0.29	11.76	1.63	3.99	10.73	0.36	**26.97**

Chart 12
Dyazide Caps
Contribution of Quantity Dispensed to GM

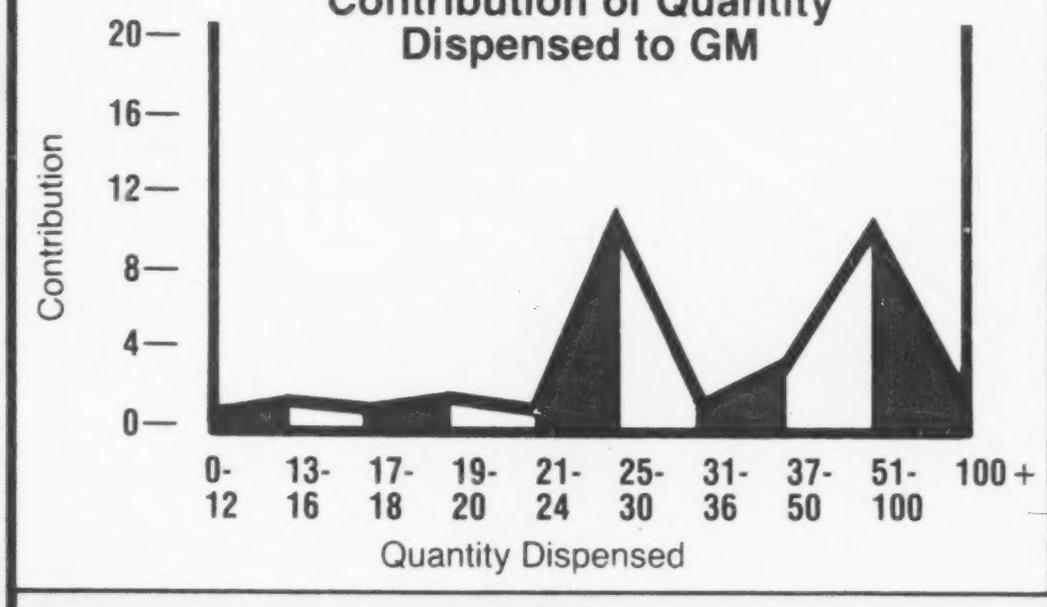
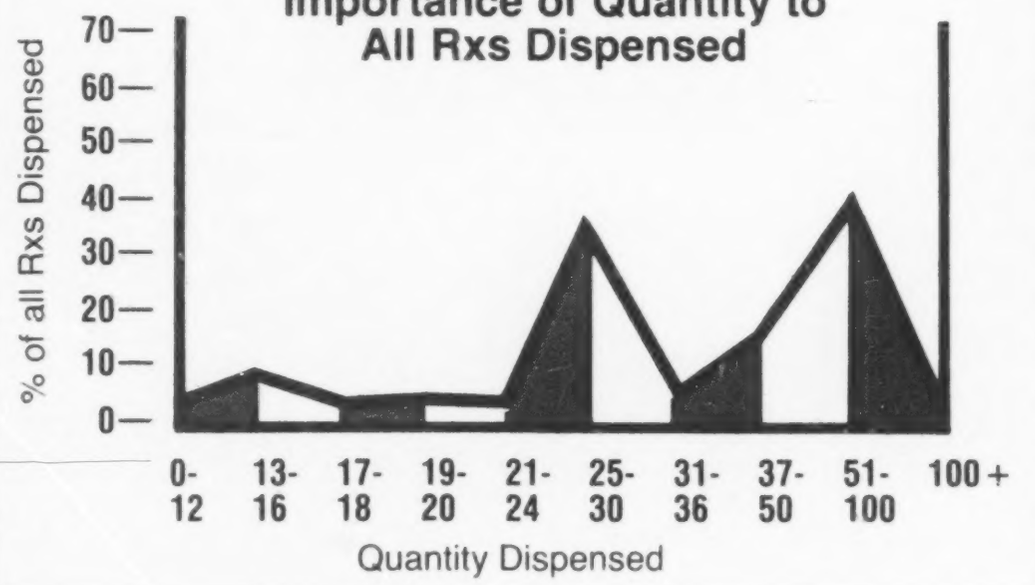


Chart 13
Enduron Tabs 5mg
Importance of Quantity to All Rxs Dispensed



Enduron Tabs 5mg Abbott—Avg. Rx #57 $11.12

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.94	2.49	0.19	1.09	0.74	35.64	3.54	13.62	40.83	0.84	**100.00**
Avg. Refill % by Disp. Qty.	57.89	84.00	50.00	40.91	80.00	74.51	74.65	78.02	73.11	58.82	73.99
Average GM %	69.02	56.43	55.35	55.05	51.72	45.42	42.73	35.77	24.35	16.99	31.92
Contribution of Quantity to GM*	0.66	1.41	0.11	0.61	0.39	16.20	1.51	4.88	9.95	0.14	**31.93**

*This figure is calculated by multiplying the percentage of ℞ dispensed by the average gross margin and dividing by 100.

Dispensing Profiles

Hydrodiuril Tabs 50mg MSD—Avg. Rx #60 $7.03

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.07	1.18	0.11	1.94	0.82	30.95	4.05	14.44	43.56	1.83	**100.00**
Avg. Refill % by Disp. Qty.	62.50	81.13	100.00	65.52	78.38	76.05	76.80	75.19	75.17	68.29	75.18
Average GM %	80.01	76.74	73.90	67.19	66.20	58.35	57.54	46.77	33.22	18.29	41.62
Contribution of Quantity to GM*	0.86	0.91	0.08	1.31	0.55	18.06	2.33	6.76	14.47	0.34	**41.63**

Chart 14
Hydrodiuril Tabs 50mg
Average Refill % Based on Quantity Dispensed

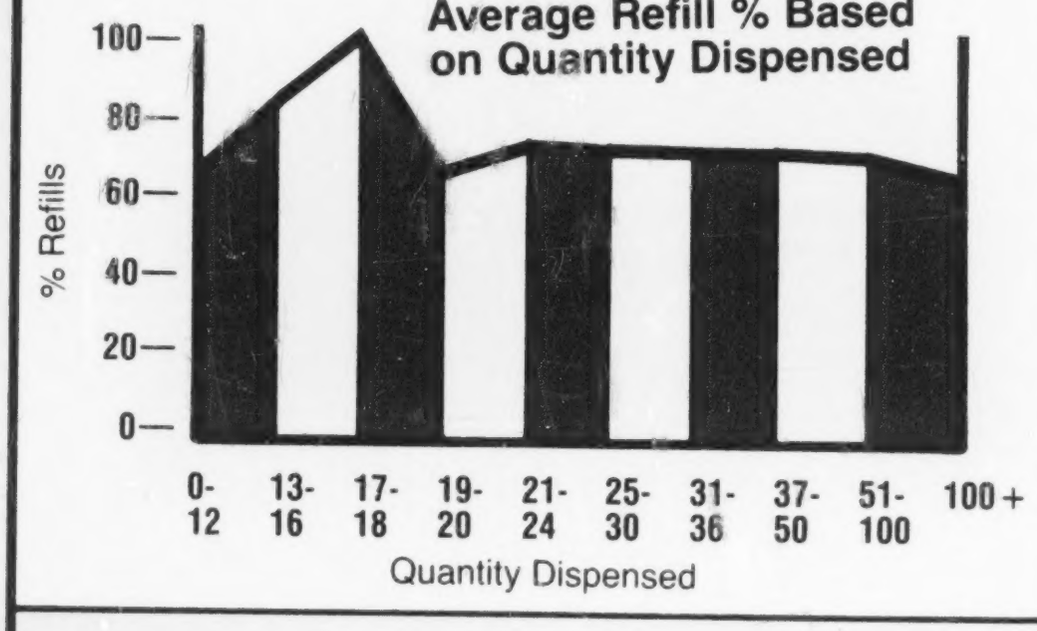
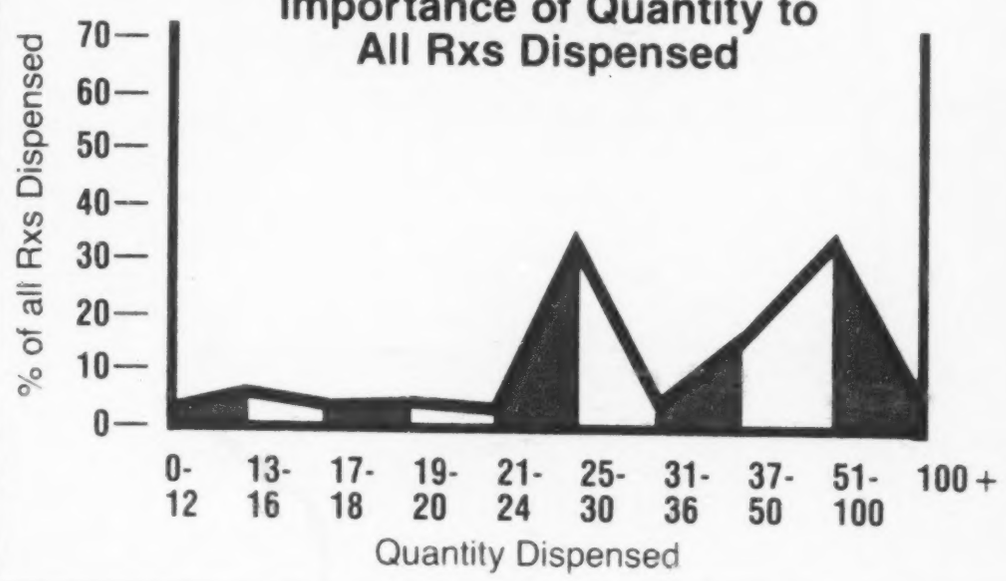


Chart 15
Hygroton Tabs 50mg
Importance of Quantity to All Rxs Dispensed



Hygroton Tabs 50mg USV—Avg. Rx #53 $12.15

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.93	2.33	0.17	1.67	0.82	37.43	5.35	15.68	33.33	1.25	**100.00**
Avg. Refill % by Disp. Qty.	61.76	65.85	50.00	59.32	75.86	68.21	78.72	74.95	68.66	75.00	69.77
Average GM %	61.83	56.88	45.48	48.44	46.92	39.83	38.31	30.53	19.62	17.74	28.09
Contribution of Quantity to GM*	1.20	1.33	0.08	0.81	0.39	14.91	2.05	4.79	6.54	0.22	**28.10**

Inderal Tabs 40mg Ayerst—Avg. Rx #98 $13.95

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.43	0.40	0.06	0.64	0.42	3.93	0.35	6.55	70.42	16.75	**100.00**
Avg. Refill % by Disp. Qty.	41.86	62.50	66.67	54.69	61.90	65.04	77.14	76.82	77.94	79.21	77.13
Average GM %	65.84	51.46	58.55	57.88	52.20	46.67	47.26	38.35	24.13	17.47	23.55
Contribution of Quantity to GM*	0.29	0.21	0.04	0.38	0.22	1.84	0.17	2.51	17.00	2.93	**23.56**

Chart 16
Inderal Tabs 40mg
Average GM % As A Function of Quantity

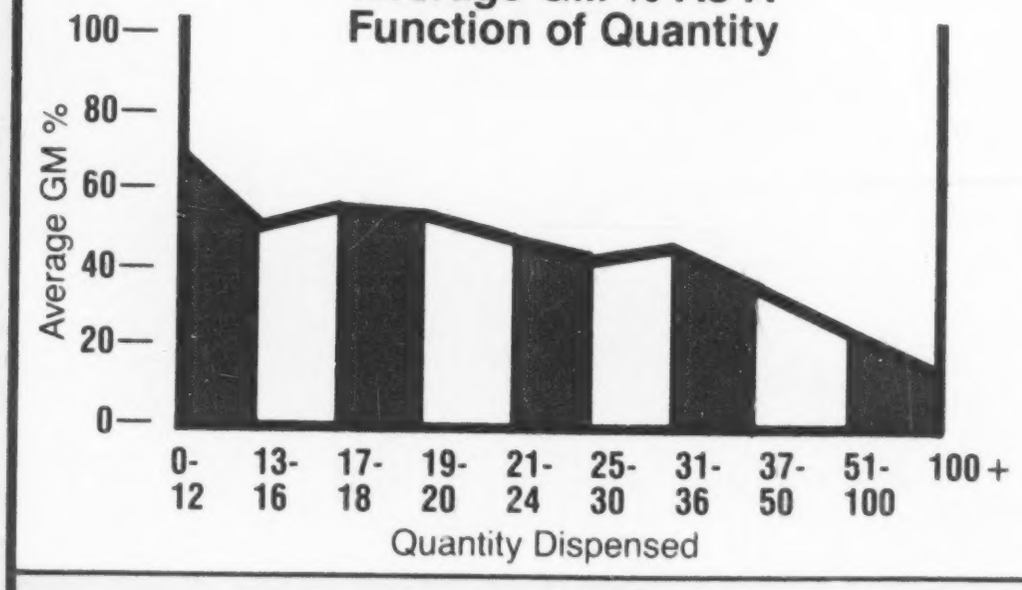
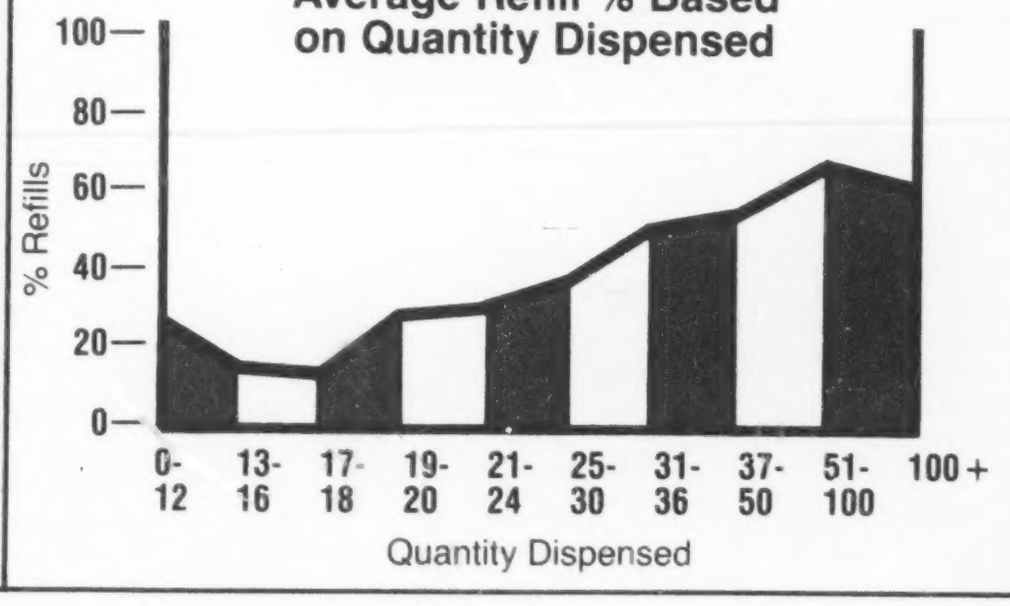


Chart 17
Indocin Caps 25mg
Average Refill % Based on Quantity Dispensed



Indocin Caps 25mg MSD—Avg. Rx #64 $16.45

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.39	2.09	0.23	3.66	4.00	18.04	1.63	19.48	44.86	4.57	**100.00**
Avg. Refill % by Disp. Qty.	23.44	18.75	18.18	27.98	27.72	39.49	50.67	52.57	66.10	63.81	53.67
Average GM %	56.56	51.41	44.88	43.43	41.30	36.15	31.32	27.92	17.85	10.73	22.13
Contribution of Quantity to GM*	0.79	1.07	0.11	1.59	1.66	6.52	0.51	5.44	8.01	0.49	**22.14**

*This figure is calculated by multiplying the percentage of ℞ dispensed by the average gross margin and dividing by 100.

Dispensing Profiles

Keflex Pul 250mg Dista—Avg. Rx #26 $16.54

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	4.97	8.85	1.27	26.18	12.87	30.13	2.05	11.44	2.01	0.17	**100.00**
Avg. Refill % by Disp. Qty.	16.67	17.51	18.09	16.10	18.06	14.58	18.54	14.13	29.05	30.77	16.18
Average GM %	42.61	38.95	37.02	33.38	30.79	27.68	26.67	23.43	16.96	13.76	29.13
Contribution of Quantity to GM*	2.12	3.45	0.47	8.74	3.97	8.34	0.55	2.68	0.34	0.02	**29.13**

Chart 18
Keflex Pul 250mg
Contribution of Quantity Dispensed to GM

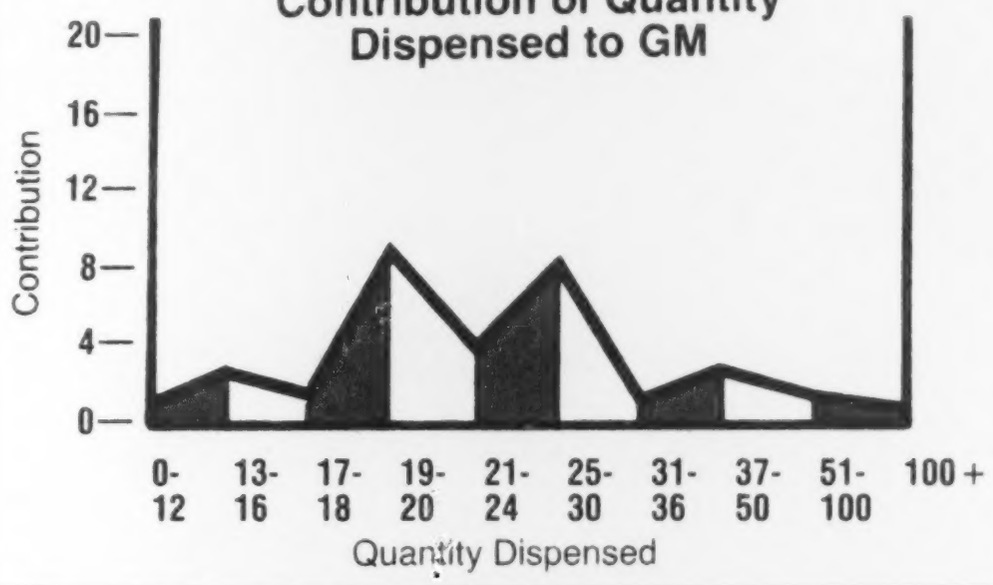
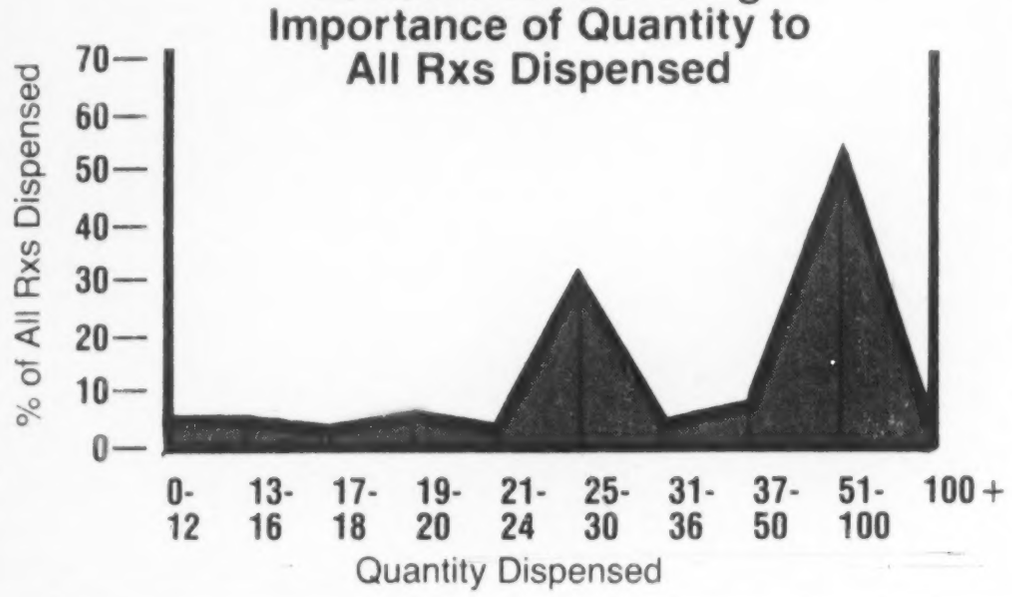


Chart 19
Lanoxin Tabs 0.25mg
Importance of Quantity to All Rxs Dispensed



Lanoxin Tabs 0.25mg BW—Avg. Rx #66 $3.54

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.09	1.20	0.03	1.66	0.18	30.81	4.43	9.10	50.09	1.36	**100.00**
Avg. Refill % by Disp. Qty.	42.98	69.40	50.00	69.73	75.00	69.76	75.00	74.95	69.20	67.11	69.85
Average GM %	94.28	91.13	92.19	88.32	88.96	85.73	86.18	76.76	60.14	47.95	70.82
Contribution of Quantity to GM*	1.03	1.10	0.04	1.48	0.16	26.42	3.82	6.99	30.14	0.66	**70.82**

Lasix Tabs 40mg Hoechst—Avg. Rx #51 $9.02

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	2.90	3.43	0.40	4.21	1.40	36.35	5.11	11.78	32.26	2.10	**100.00**
Avg. Refill % by Disp. Qty.	45.94	56.65	67.27	62.00	70.68	66.59	69.55	70.68	70.99	68.77	67.61
Average GM %	72.03	61.30	54.75	56.34	54.62	47.78	47.66	37.32	24.87	17.98	35.18
Contribution of Quantity to GM*	2.10	2.11	0.22	2.37	0.77	17.37	2.44	4.40	8.02	0.38	**35.18**

Chart 20
Lasix Tabs 40mg
Contribution of Quantity Dispensed to GM

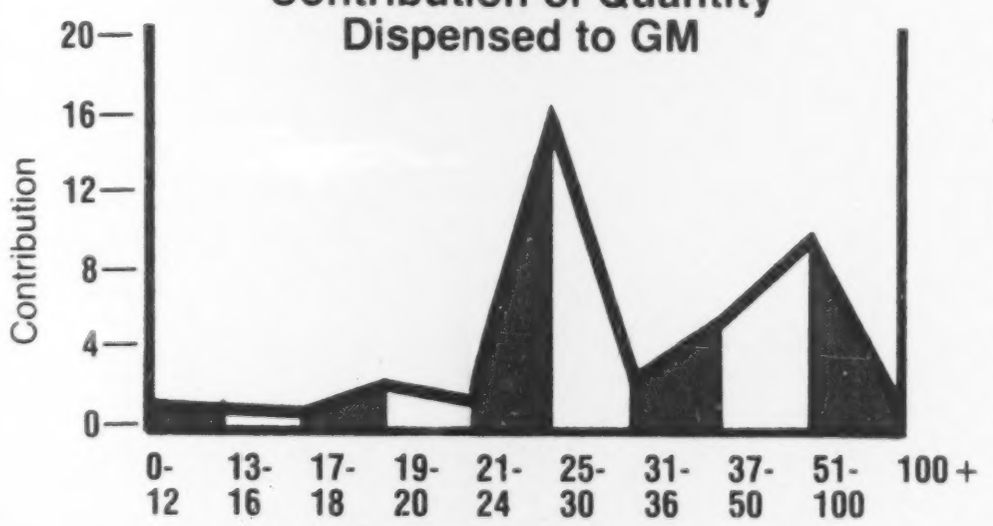
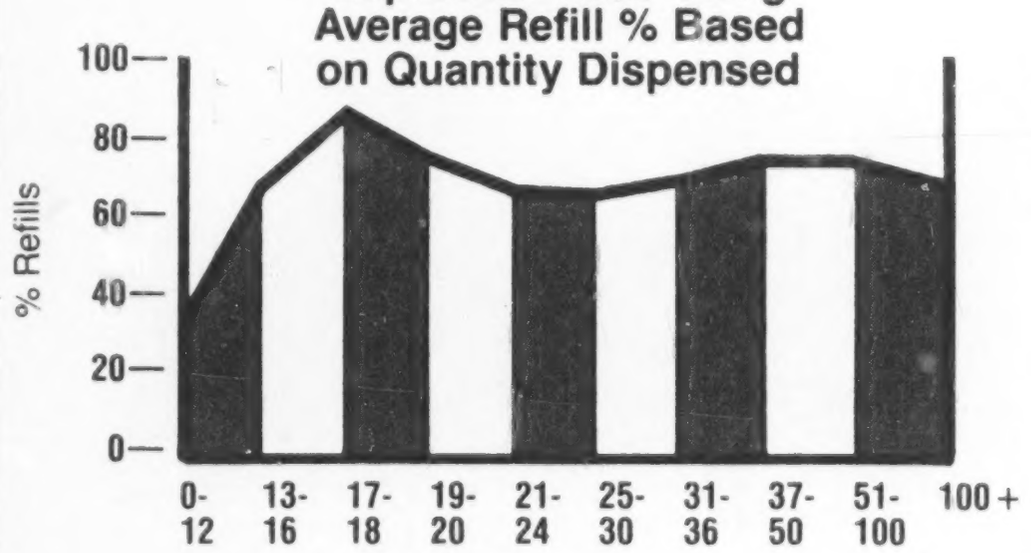


Chart 21
Lopressor Tabs 50mg
Average Refill % Based on Quantity Dispensed



Lopressor Tabs 50mg Geigy—Avg. Rx #77 $14.21

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.55	0.81	0.13	0.91	0.24	10.87	1.21	10.69	69.53	5.02	**100.00**
Avg. Refill % by Disp. Qty.	39.47	66.07	88.89	71.43	70.59	68.71	72.62	77.91	77.31	72.05	75.76
Average GM %	63.96	56.56	53.99	53.06	49.17	43.74	42.37	35.18	24.27	17.28	25.92
Contribution of Quantity to GM*	0.35	0.46	0.07	0.48	0.12	4.76	0.52	3.76	16.87	0.87	**25.92**

*This figure is calculated by multiplying the percentage of ℞ dispensed by the average gross margin and dividing by 100.

Dispensing Profiles

Mellaril Tabs 25mg Sandoz—Avg. Rx #70 $13.98

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	2.39	1.92	0.10	1.37	3.22	16.96	2.61	9.49	49.12	12.76	**100.00**
Avg. Refill % by Disp. Qty.	21.21	41.51	33.33	50.00	68.54	55.98	68.06	65.65	62.07	55.11	59.28
Average GM %	49.85	46.73	53.16	48.97	24.14	39.68	36.55	30.52	21.43	14.92	22.95
Contribution of Quantity to GM*	1.19	0.90	0.06	0.68	0.78	6.73	0.95	2.90	10.53	1.90	**22.95**

Chart 22
Mellaril Tabs 25mg
Average GM % As A Function of Quantity

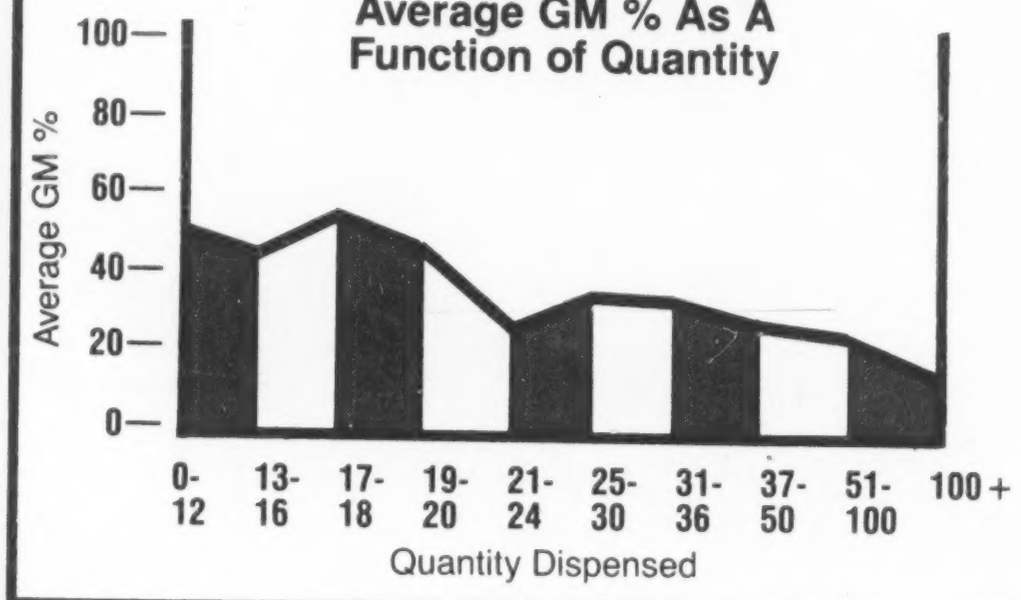
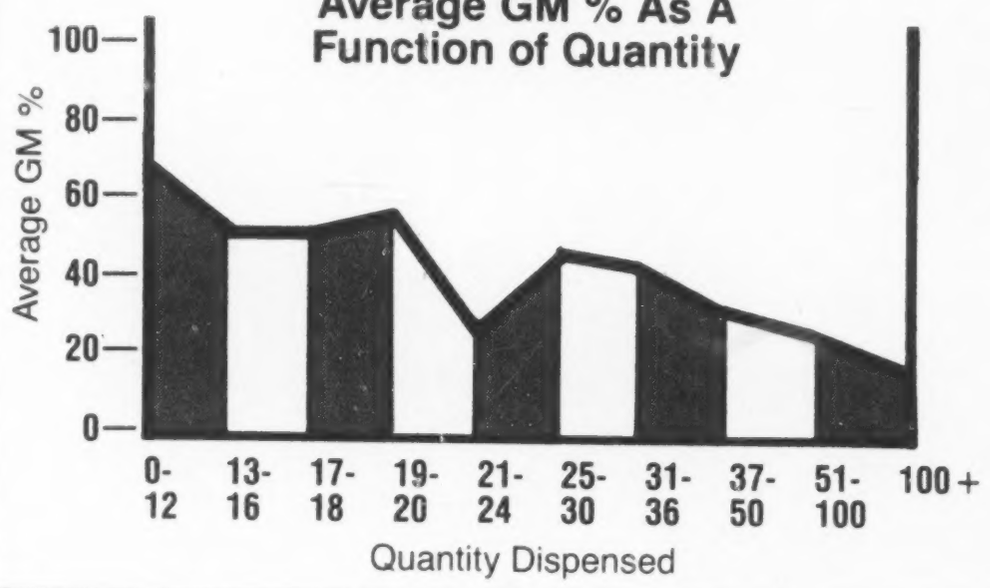


Chart 23
Minipress Caps 1mg
Average GM % As A Function of Quantity



Minipress Caps 1mg Pfizer—Avg. Rx #78 $13.57

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.42	0.72	0.07	1.12	0.40	10.81	1.49	10.45	66.71	6.77	**100.00**
Avg. Refill % by Disp. Qty.	53.85	65.00	100.00	41.94	72.73	70.03	78.05	75.96	75.98	68.82	74.11
Average GM %	64.27	53.92	52.00	54.31	25.23	46.65	43.35	37.28	26.91	18.30	28.14
Contribution of Quantity to GM*	0.91	0.39	0.04	0.61	0.10	5.05	0.65	3.90	17.95	1.24	**28.14**

Motrin Tabs 400mg Upjohn—Avg. Rx #64 $15.23

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	3.06	2.44	0.28	5.95	2.88	15.66	1.71	17.61	41.82	8.53	**100.00**
Avg. Refill % by Disp. Qty.	21.82	19.18	23.08	23.97	34.36	36.84	46.75	45.98	63.04	62.66	50.02
Average GM %	55.83	50.26	48.36	45.57	42.12	36.62	35.82	29.37	18.41	13.71	22.74
Contribution of Quantity to GM*	1.71	1.23	0.14	2.71	1.22	5.74	0.62	5.18	7.71	1.17	**22.75**

Chart 24
Motrin Tabs 400mg
Contribution of Quantity Dispensed to GM

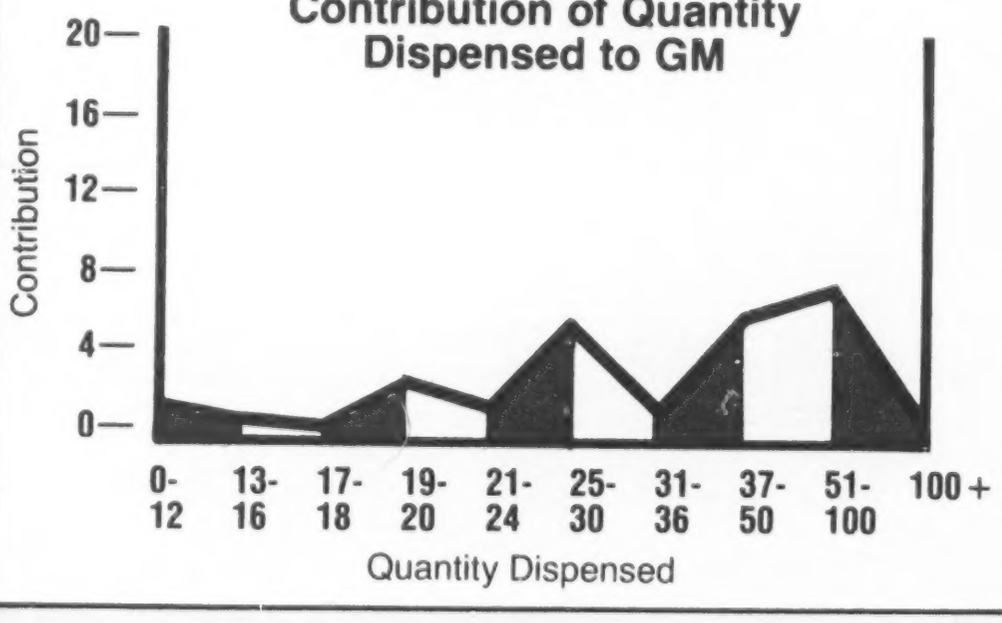
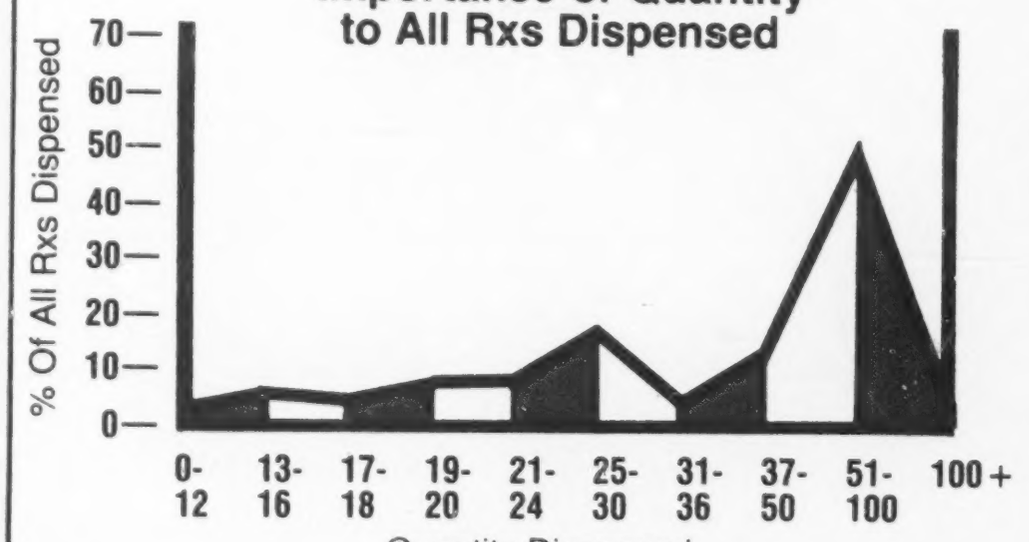


Chart 25
Naprosyn Tabs 250mg
Importance of Quantity to All Rxs Dispensed



Naprosyn Tabs 250mg Syntex—Avg. Rx #60 $26.17

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.22	1.69	0.33	4.85	1.53	18.26	1.12	16.49	51.61	2.84	**100.00**
Avg. Refill % by Disp. Qty.	27.45	42.25	50.00	30.54	50.00	49.15	51.06	60.38	66.84	52.94	58.99
Average GM %	46.14	40.04	36.41	35.21	31.89	28.43	24.18	20.46	13.71	8.15	16.75
Contribution of Quantity to GM*	0.56	0.68	0.12	1.71	0.49	5.20	0.27	3.38	7.08	0.23	**16.76**

*This figure is calculated by multiplying the percentage of ℞ dispensed by the average gross margin and dividing by 100.

Dispensing Profiles

Orinase Tabs 500mg Upjohn—Avg. Rx #82 $13.73

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.12	0.96	0.03	1.00	0.50	11.86	2.39	11.55	60.97	9.58	**100.00**
Avg. Refill % by Disp. Qty.	65.52	64.00	0.00	88.46	76.92	76.55	79.03	82.94	77.00	74.19	77.24
Average GM %	70.09	62.75	59.52	51.53	43.36	44.16	43.48	32.57	21.20	14.50	23.03
Contribution of Quantity to GM*	0.79	0.61	0.02	0.52	0.22	5.24	1.04	3.76	12.93	1.39	**23.04**

Chart 26
Orinase Tabs 500mg
Contribution of Quantity Dispensed to GM

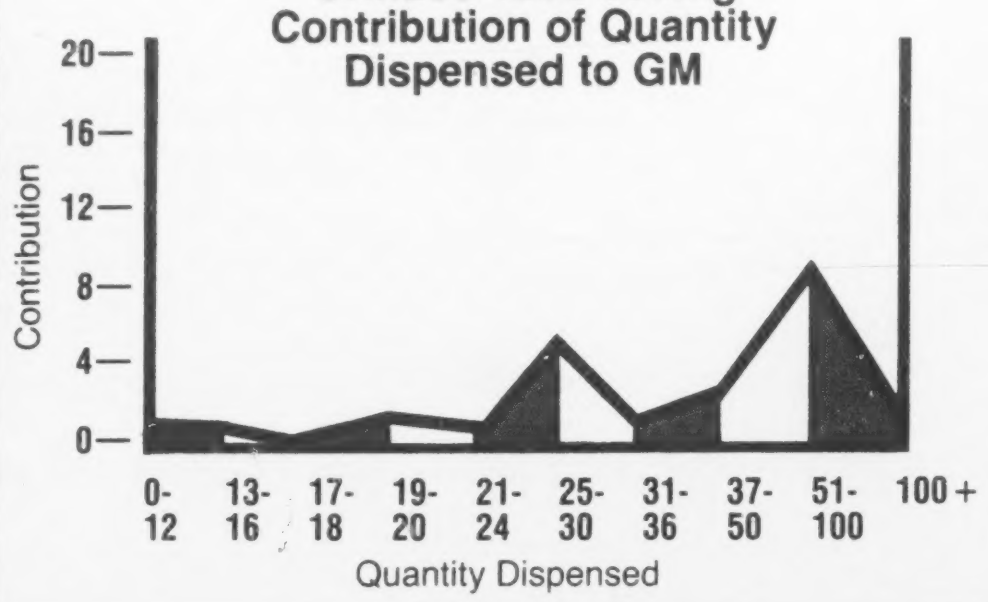
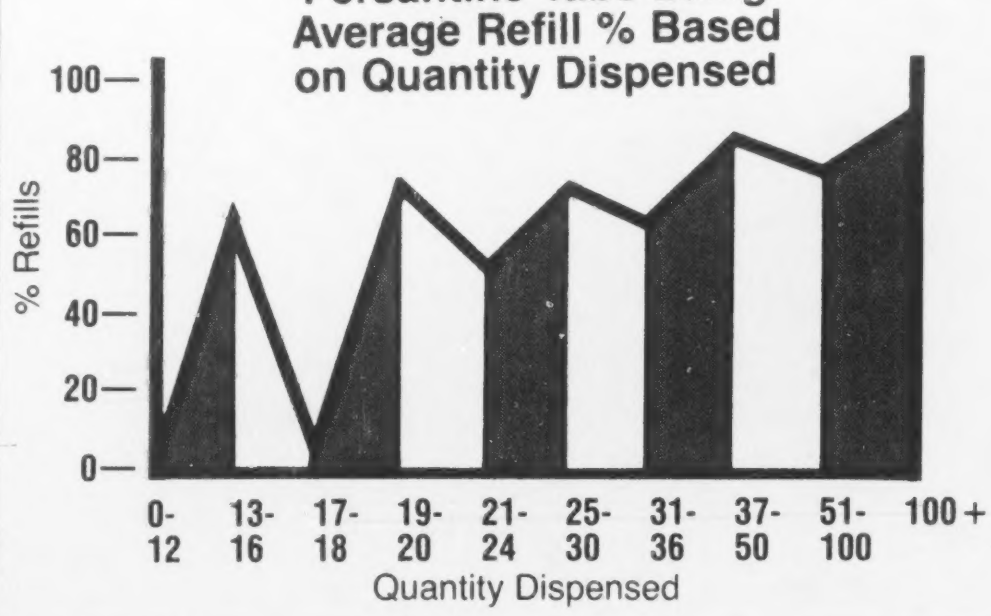


Chart 27
Persantine Tabs 25mg
Average Refill % Based on Quantity Dispensed



Persantine Tabs 25mg Boehringer—Avg. Rx #112 $16.94

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.21	0.08	0.00	0.21	0.10	2.21	0.43	4.62	64.36	27.71	**100.00**
Avg. Refill % by Disp. Qty.	0.00	66.67	0.00	75.00	50.00	72.84	62.50	82.25	79.70	81.82	79.95
Average GM %	80.04	51.75	0.00	58.15	57.00	46.37	46.14	37.56	25.80	19.32	23.76
Contribution of Quantity to GM*	0.18	0.04	0.00	0.13	0.06	1.03	0.20	1.74	16.61	5.36	**23.77**

Ser-Ap-Es Tabs Ciba—Avg. Rx #66 $14.42

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.30	0.58	0.29	0.78	0.75	20.72	4.99	12.17	55.94	2.44	**100.00**
Avg. Refill % by Disp. Qty.	75.56	75.00	100.00	85.19	88.46	79.38	80.81	83.05	72.05	67.86	75.62
Average GM %	60.13	49.57	46.85	49.55	44.69	39.56	38.59	29.76	19.45	14.11	23.59
Contribution of Quantity to GM*	0.79	0.29	0.14	0.39	0.34	8.20	1.93	3.63	10.89	0.34	**23.59**

Chart 28
Ser-Ap-Es Tabs
Contribution of Quantity Dispensed to GM

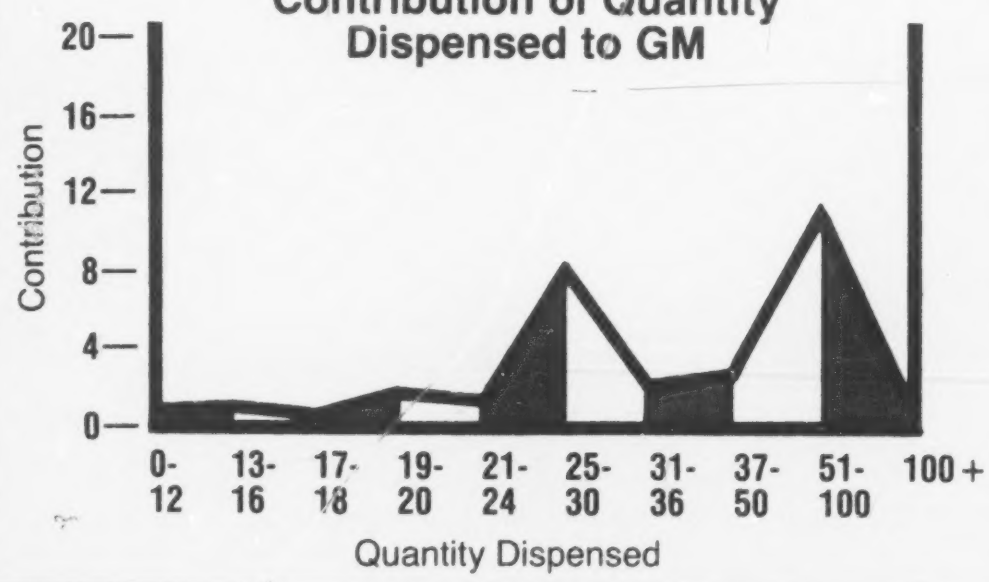
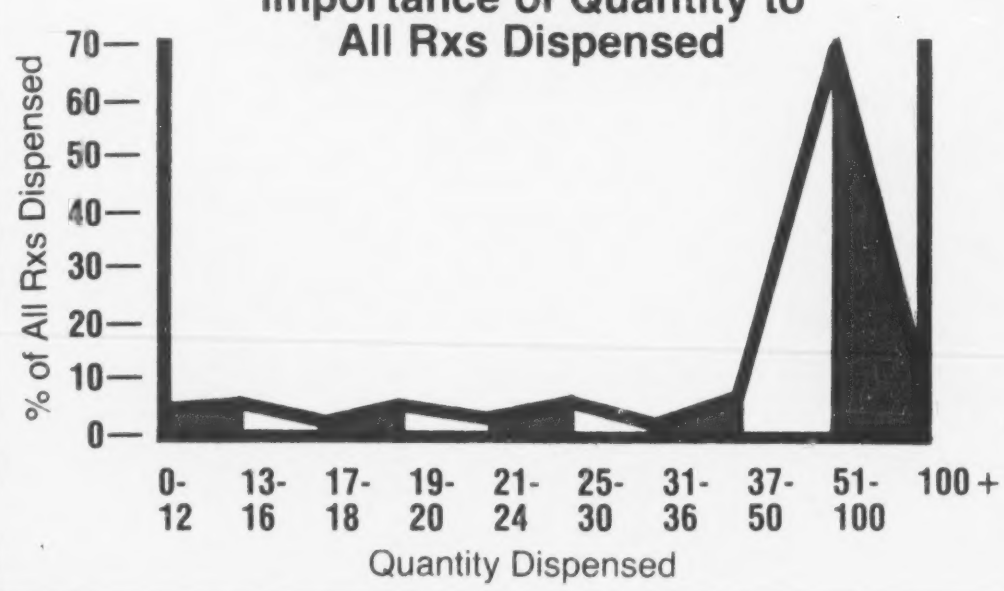


Chart 29
Slow K Tabs 600mg
Importance of Quantity to All Rxs Dispensed



Slow K Tabs 600mg Ciba—Avg. Rx #94 $10.03

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.46	0.47	0.08	0.55	0.23	6.84	0.88	6.35	70.47	13.63	**100.00**
Avg. Refill % by Disp. Qty.	46.55	50.85	72.73	55.71	51.72	67.75	76.58	74.91	76.49	74.58	75.09
Average GM %	75.44	70.57	66.16	67.03	64.80	58.65	59.19	47.95	33.66	24.83	33.41
Contribution of Quantity to GM*	0.35	0.33	0.06	0.38	0.15	4.02	0.52	3.05	23.72	3.39	**33.42**

*This figure is calculated by multiplying the percentage of ℞ dispensed by the average gross margin and dividing by 100.

Dispensing Profiles

Synthroid Tabs 0.1mg Flint—Avg. Rx #83 $6.24

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.81	0.73	0.00	0.81	0.26	16.89	3.04	6.32	66.53	4.56	**100.00**
Avg. Refill % by Disp. Qty.	64.29	64.00	0.00	75.00	44.44	67.76	74.04	71.30	71.17	75.00	70.72
Average GM %	85.79	82.42	0.00	78.00	81.46	70.55	73.43	69.31	46.33	34.28	50.49
Contribution of Quantity to GM*	0.70	0.60	0.00	0.64	0.21	11.92	2.24	4.39	30.82	1.57	**50.50**

Chart 30
Synthroid Tabs 0.1mg
Average GM % As A Function of Quantity

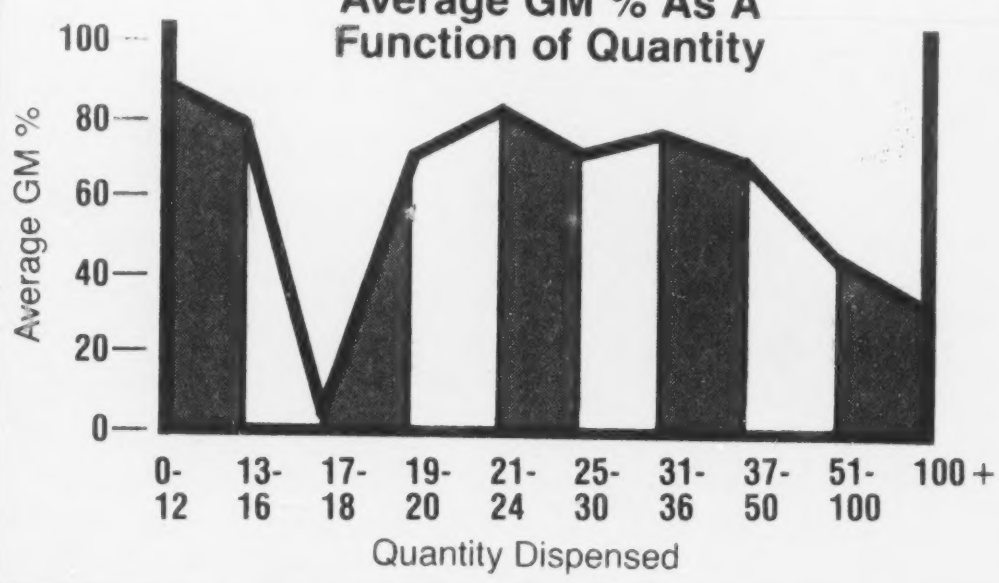
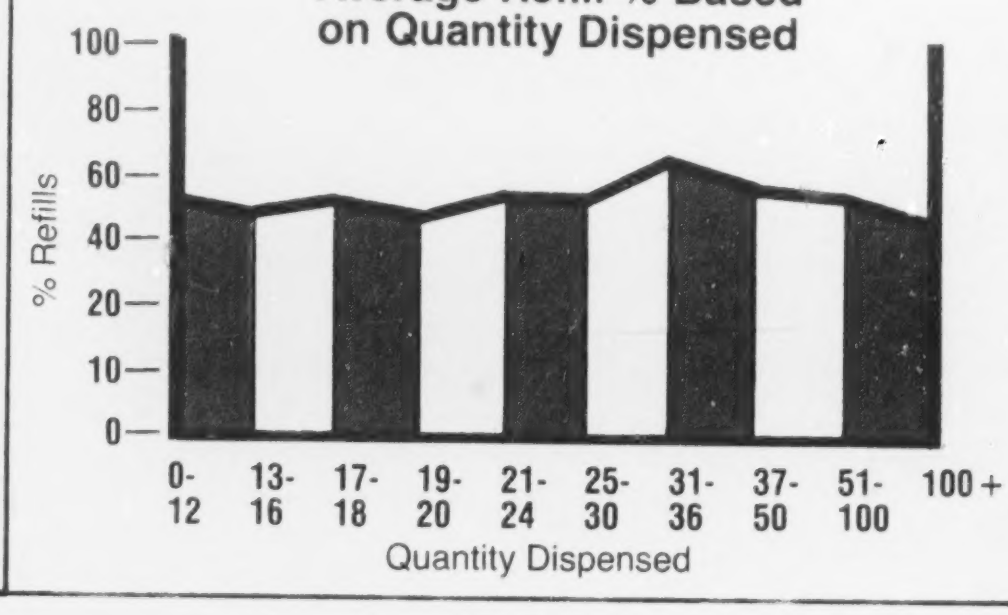


Chart 31
Tagamet Tabs 300mg
Average Refill % Based on Quantity Dispensed



Tagamet Tabs 300mg SKF—Avg. Rx #73 $25.27

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	1.10	0.67	0.07	1.35	1.10	12.35	1.57	19.30	54.36	8.09	**100.00**
Avg. Refill % by Disp. Qty.	49.75	45.53	53.85	44.94	59.20	55.07	64.81	59.45	59.59	53.70	58.20
Average GM %	44.80	37.86	39.58	35.82	31.36	28.12	25.68	20.77	12.31	10.06	14.51
Contribution of Quantity to GM*	0.49	0.26	0.03	0.49	0.35	3.47	0.41	4.01	6.69	0.81	**14.51**

Theo-Dur Tabs 300mg Key—Avg. Rx #75 $13.41

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.93	1.33	0.03	2.81	0.78	10.97	0.57	11.21	67.23	4.11	**100.00**
Avg. Refill % by Disp. Qty.	35.48	29.55	0.00	29.03	46.15	48.48	52.63	60.38	66.05	63.24	61.31
Average GM %	70.73	62.21	60.68	56.21	53.21	47.48	44.10	38.59	28.18	18.39	30.04
Contribution of Quantity to GM*	0.67	0.83	0.02	1.58	0.42	5.21	0.25	4.33	18.95	0.76	**30.05**

Chart 32
Theo-Dur Tabs 300mg
Average Refill % Based on Quantity Dispensed

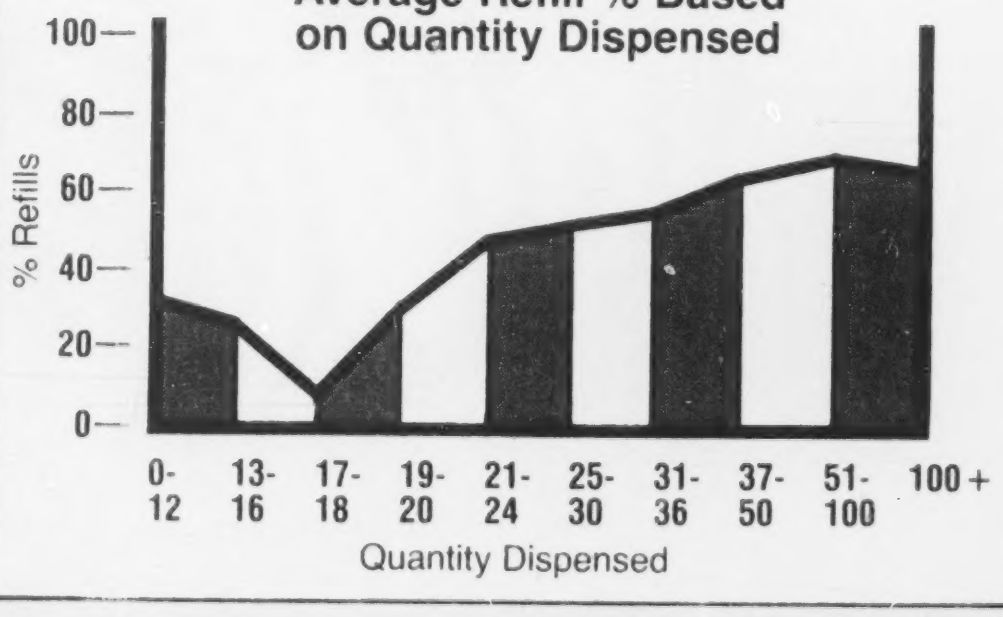
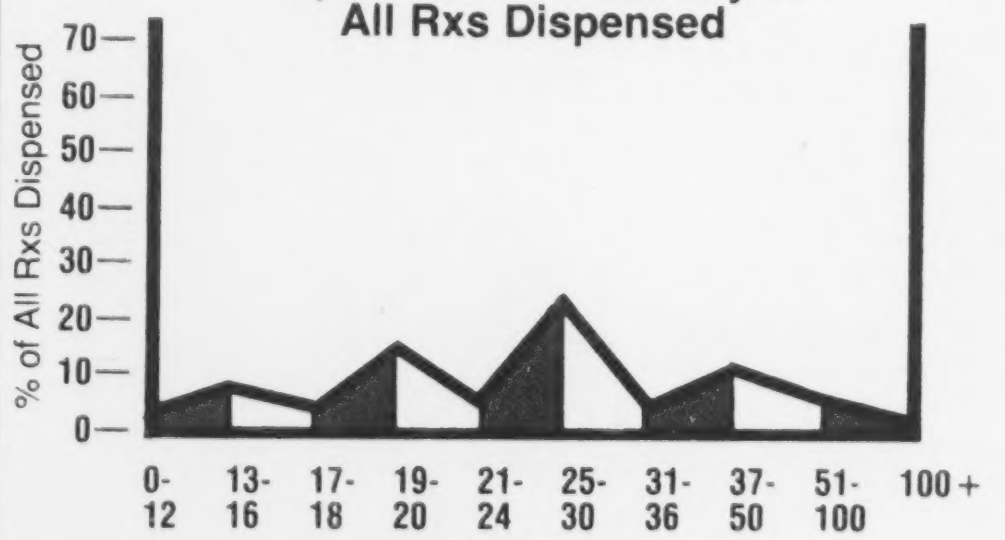


Chart 33
Tylenol w/Codeine 30mg
Importance of Quantity to All Rxs Dispensed



Tylenol w/Codeine 30mg McNeil—Avg. Rx #32 $6.64

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	14.27	9.46	1.73	15.89	7.13	25.23	2.89	13.46	9.49	0.41	**100.00**
Avg. Refill % by Disp. Qty.	7.97	10.28	20.45	13.92	26.94	29.89	44.54	42.69	51.21	38.46	26.20
Average GM %	78.85	73.18	70.07	68.03	64.95	60.20	57.04	50.95	37.57	28.59	58.49
Contribution of Quantity to GM*	11.26	6.92	1.22	10.82	4.63	15.19	1.65	6.86	3.57	0.12	**58.50**

*This figure is calculated by multiplying the percentage of ℞ dispensed by the average gross margin and dividing by 100.

Dispensing Profiles

Valium Tabs 5mg Roche—Avg. Rx #55 $11.16

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	3.11	1.59	0.22	3.92	2.19	25.61	2.81	23.70	34.85	1.95	**100.00**
Avg. Refill % by Disp. Qty.	16.35	18.42	34.21	30.99	37.98	40.67	50.64	46.18	48.56	48.32	43.59
Average GM %	64.14	56.25	53.85	50.97	48.13	41.61	40.11	32.03	19.59	15.05	28.00
Contribution of Quantity to GM*	1.99	0.89	0.12	2.00	1.05	10.66	1.13	7.59	6.83	0.30	**28.00**

Chart 34
Valium Tabs 5mg
Contribution of Quantity Dispensed to GM

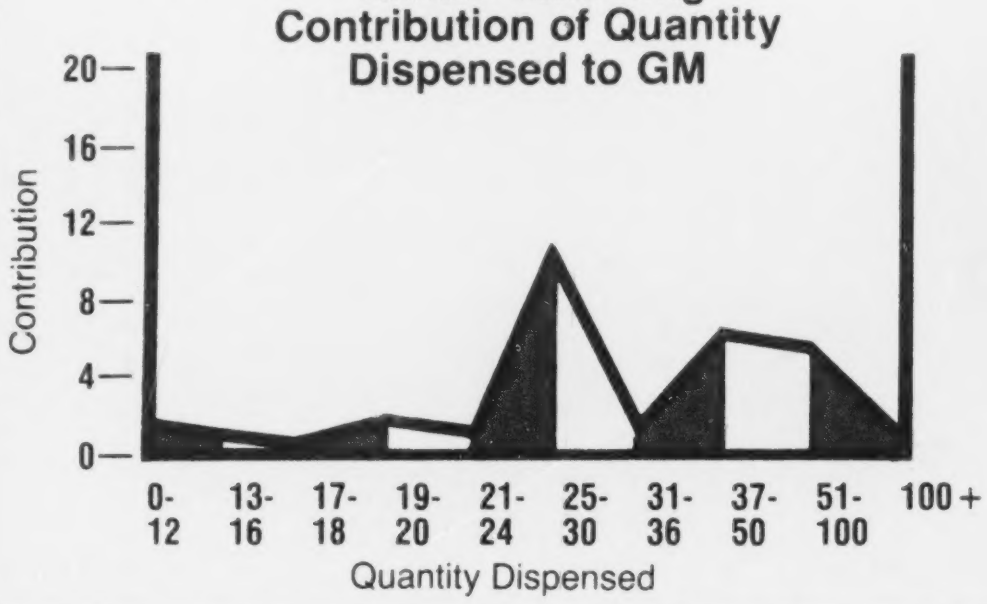
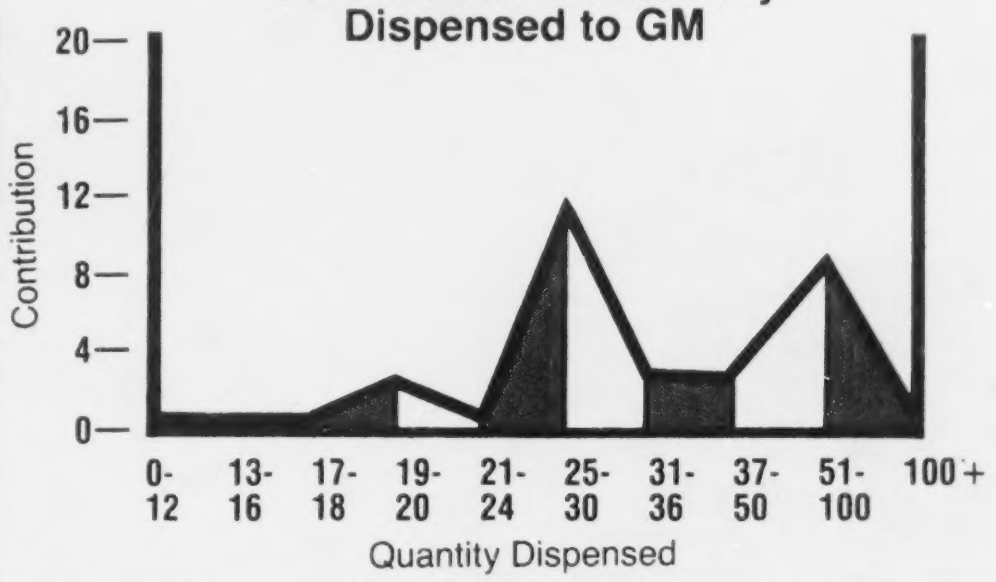


Chart 35
Zomax 100mg
Contribution of Quantity Dispensed to GM



Zomax 100mg McNeil—Avg. Rx #35 $13.44

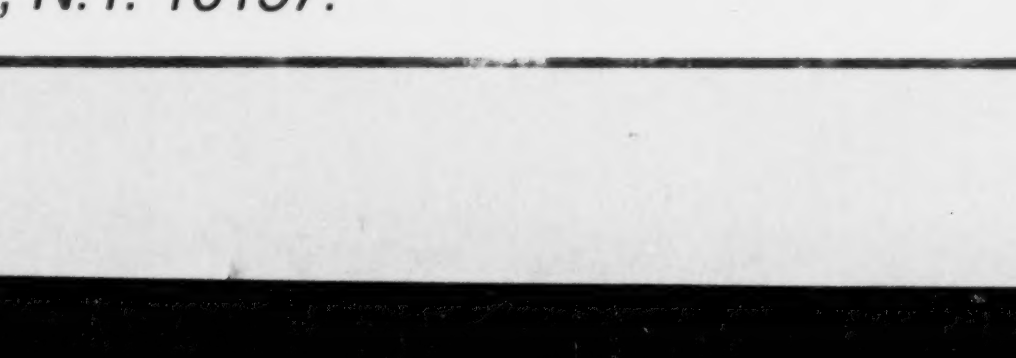
Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.00	0.00	0.00	5.26	0.00	26.31	5.26	5.26	52.63	5.26	**100.00**
Avg. Refill % by Disp. Qty.	0.00	0.00	0.00	0.00	0.00	100.00	100.00	100.00	90.00	0.00	84.21
Average GM %	0.00	0.00	0.00	57.74	0.00	46.88	41.05	45.13	18.10	9.09	24.40
Contribution of Quantity to GM*	0.00	0.00	0.00	3.04	0.00	12.34	2.16	2.37	9.53	0.48	**24.40**

Zyloprim Tabs 300mg BW—Avg. Rx #61 $17.92

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	**Total**/Avg.
% of ℞ Dispensed	0.61	1.36	0.14	0.68	0.50	33.57	5.50	11.08	45.73	0.79	**100.00**
Avg. Refill % by Disp. Qty.	52.94	55.26	75.00	57.89	71.43	76.31	76.47	74.35	67.11	54.55	71.14
Average GM %	55.81	46.58	47.89	43.26	40.75	35.60	31.78	25.88	18.84	13.28	23.40
Contribution of Quantity to GM*	0.34	0.64	0.07	0.29	0.20	11.95	1.75	2.87	8.62	0.10	**23.41**

*This figure is calculated by multiplying the percentage of ℞ dispensed by the average gross margin and dividing by 100.

Chart 36
Zyloprim Tabs 300mg
Average GM % As A Function of Quantity



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Bulk Buying Guide For Leading Products

Products are selected for this section from those drugs having the largest numbers of capsules or tablets dispensed from an average store during a typical month, i.e., October 1982.

As a rule of thumb, pharmacies should never order more than a month's supply of a fast-moving item unless an additional per cent discount can be obtained for every month that the item remains on the shelf. In other words, if sufficient savings from bulk purchases are not obtained or demand doesn't warrant purchasing large quantities, pharmacists should buy smaller package sizes. This is especially true when products can be acquired in packaging that can be dispensed directly to patients, thereby saving the pharmacy added container costs. Remember, the goal is to achieve an inventory turn of at least 4.5X per year. The optimum is between six and seven turns per annum.

This guide is based on products' average demand, which varies from pharmacy to pharmacy. Birth control pills, nonbranded products, liquids, creams and ointments have been omitted. In addition, products with high usage rates during the months when flu incidence is high—antibiotics—may be overstated because these data are compiled for October.

Pricing data are taken from the *Prescription Pricing Guide* of January 1983. In order to maintain simplicity and consistency from company to company, only average wholesale prices (AWP) are used.

Although some AWP costs have changed since December, the relationships established among these brands' small and bulk sizes remain consistent.

If you turn to the summary table in the section of the reference titled "Planning Different Pricing Strategies," you'll note the column of figures on the left are headed "average number of capsules or tablets sold per pharmacy."

These figures represent the cornerstone around which a bulk buying chart for your prescription department can be built. First, however, you must determine the average prescription volume for the leading brands in your pharmacy department.

This information can be obtained rapidly through the use of electronic data processing equipment. Although a manual inspection of the Rx files will accomplish the same objective, the procedure is quite time-consuming to attempt in a busy department.

Once the products are ranked relative to one another, it is possible to compare small and bulk quantities among the leaders.

Products shown here are alphabetized so you can find price information fast.

Product	Manufacturer	Small		Bulk		Savings	
		Size	$ Price	Size	$ Price	$	%
Achromycin V caps 250mg	Lederle	100	$ 5.09	1,000	$ 29.09	$21.81	74.9%
Actifed Tabs	B-W	100	7.99	1,000	58.15	21.75	37.4
Aldactazide Tabs	Searle	100	23.75	2,500	530.80	62.95	11.9
Aldomet Tabs 250mg	MSD	100	14.87	1,000	144.20	4.50	3.1
Aldomet Tabs 250mg	MSD	100	26.76	500	131.91	1.89	1.4
Aldoril-25 Tabs	MSD	100	19.88	1,000	193.05	5.75	3.0
Apresoline Tabs 25mg	Ciba	100	8.98	1,000	87.07	2.73	3.1
Ativan Tabs 1mg	Wyeth	100	17.41	500	84.18	2.87	3.4
Atromid S Caps 500mg	Ayerst	100	10.30	—	—	—	—
Bactrim DS	Roche	100	40.98	500	194.66	10.24	5.3
Benadryl Caps 25mg	P-D	100	6.68	1,000	58.07	8.73	15.0
Benadryl Kaps 50mg	P-D	100	9.90	1,000	86.60	12.40	14.3
Brethine Tabs 2.5mg	Geigy	100	11.51	1,000	111.61	3.49	3.1
Catapres Tabs 0.1mg	Boehringer	100	14.90	1,000	141.54	7.46	5.3
Clinoril 150mg	MSD	100	40.07	—	—	—	—
Clinoril 200mg	MSD	100	50.13	—	—	—	—
Cogentin Tabs 2mg	MSD	100	8.88	1,000	74.08	14.72	19.9
Corgard Tabs 40mg	Squibb	100	30.36	1,000	288.49	15.11	5.2
Dalmane Caps 30mg	Roche	100	15.62	500	77.10	1.00	1.3
Darvocet-N 100mg	Lilly	100	18.53	500	88.01	4.64	5.3
Darvon Cpd-65 Pulv	Lilly	100	12.10	500	57.50	3.00	5.2
Depakene Caps 250mg	Abbott	100	21.56	—	—	—	—
Diabinese Tabs 250mg	Pfizer	100	28.07	1,000	269.47	11.23	4.2
Dilantin Kaps 100mg	P-D	100	6.82	1,000	53.82	14.38	26.7
Dimetapp Extab	Robins	100	14.50	500	67.60	4.90	7.2
Donnatal Tabs	Robins	100	3.30	1,000	30.70	2.30	7.5
Drixoral SA Tabs	Schering	100	17.88	—	—	—	—
Dyazide Caps	SKF	100	13.10	1,000	126.75	4.25	3.4
E.E.S. 400 Filmtabs	Abbot	100	21.95	—	—	—	—
Elavil Tabs 25mg	MSD	100	11.59	5,000	536.98	42.52	7.9
Empirin 325mg w/Cod. 30mg	B-W	100	10.07	1,000	89.30	11.40	12.8
Feldene Caps 20mg	Pfizer	100	91.44	—	—	—	—
Fiorinal Tabs	Sandoz	100	10.38	1,000	98.64	5.16	5.2
Hydergine Oral Tabs 1mg	Sandoz	100	21.12	1,000	100.32	5.28	5.3
Hydrochlorothiazide 50mg	Roxane	100	3.25	1,000	18.00	14.50	80.6
Hydrodiuril Tabs 50mg	MSD	100	7.68	5,000	342.65	41.35	12.1

Top 100 Bulk Buying Chart

Product	Manufacturer	Small Size	Small $ Price	Bulk Size	Bulk $ Price	Savings $	Savings %
Hygroton Tabs 50mg	USV	100	17.10	1,000	165.05	5.95	3.6
Inderal Tabs 10mg	Ayerst	100	5.94	1,000	57.04	2.36	4.1
Inderal Tabs 20mg	Ayerst	100	8.23	1,000	79.16	3.14	4.0
Inderal Tabs 40mg	Ayerst	100	11.75	1,000	112.91	4.59	4.1
Inderal Tabs 80mg	Ayerst	100	19.50	1,000	187.33	7.67	4.1
Indocin Caps 25mg	MSD	100	22.46	1,000	217.71	6.89	3.2
Isordil 5mg Titradose	Ives	100	6.53	1,000	61.20	4.1	6.7
Isordil 10mg Titradose	Ives	100	7.86	1,000	73.91	4.69	6.3
K-tabs 750mg	Abbot	100	7.39	1,000	71.10	2.8	3.9
Keflex Pulv 250mg	Dista	20	10.51	1,000	50.04	2.51	5.0
Klotrix Tabs 10meq	Mead-Johnson	100	8.03	1,000	71.21	9.09	12.8
Lanoxin Tabs 0.125mg	B-W	100	1.84	1,000	14.09	4.31	30.6
Lanoxin Tabs 0.25mg	B-W	100	1.99	5,000	60.40	39.10	64.7
Lasix Tabs 20mg	Hoechst	100	8.85	1,000	79.85	8.65	10.8
Lasix Tabs 40mg	Hoechst	100	12.45	1,000	112.35	12.15	10.8
Librax Caps	Roche	100	16.33	500	80.65	1.00	1.2
Librium Caps 10mg	Roche	100	12.85	500	63.25	1.00	1.6
Lomotil Tabs 2.5mg	Searle	100	22.37	2,500	482.28	76.97	15.9
Lopressor Tabs 50mg	Geigy	100	14.15	1,000	137.28	4.22	3.1
Lopressor Tabs 100mg	Geigy	100	25.48	1,000	247.18	7.62	3.1
Mellaril Tabs 25mg	Sandoz	100	17.40	1,000	165.30	8.70	5.3
Mellaril Tabs 50mg	Sandoz	100	20.88	1,000	198.36	10.44	5.3
Minipress Caps 1mg	Pfizer	250	33.44	1,000	131.15	2.61	2.0
Minipress Caps 2mg	Pfizer	250	46.56	1,000	182.55	3.69	2.1
Motrin Tabs 400mg	Upjohn	100	22.38	500	108.20	3.7	3.4
Motrin Tabs 600mg	Upjohn	60	31.28	500	153.56	2.84	1.8
Mysoline Tabs 250mg	Ayerst	100	8.80	1,000	83.80	4.20	5.0
Naprosyn Tabs 250mg	Syntex	100	38.30	500	185.36	6.14	3.3
Naprosyn Tabs 375mg	Syntex	60	46.92	500	227.63	7.07	3.1
Nitrobid Caps 2.5mg	Marion	60	8.94	100	13.88	1.02	7.3
Nitroglycerin Tabs 0.4mg	Lilly	100	2.17	—	—	—	—
Nitrostat Tabs 0.4mg	P-D	100	1.61	—	—	—	—
Orinase Tabs 500mg	Upjohn	50	7.31	1,000	141.04	5.16	3.7
Parafon Forte Tabs	McNeil	100	20.00	500	96.77	3.23	3.3
Percodan Tabs	Dupont	100	16.44	1,000	155.19	9.21	5.9
Persantine Tabs 25mg	Boehringer	100	12.11	1,000	114.94	6.16	5.4
Persantine Tabs 50mg	Boehringer	100	19.53	1,000	185.54	9.76	5.3
Phenobarbital Tabs 30mg	Lilly	100	1.40	5,000	28.72	41.28	143.7
Premarin tabs .625mg	Ayerst	100	7.60	1,000	72.36	3.64	5.0
Premarin tabs 1.25mg	Ayerst	100	10.66	1,000	101.72	4.88	4.8
Procardia Caps 10mg	Pfizer	100	20.78	—	—	—	—
Ser-Ap-Es Tabs	Ciba	100	17.84	1,000	173.00	5.4	3.1
Slow-K Tabs	Ciba	100	7.55	1,000	73.26	2.24	3.1
Synthroid Tabs 0.1mg	Flint	100	4.06	1,000	34.31	6.29	18.3
Synthroid Tabs 0.2mg	Flint	100	5.81	1,000	50.44	7.66	15.2
Tagamet Tabs 300mg	SKF	100	30.45	—	—	—	—
Tegretol Tabs 200mg	Geigy	100	17.52	1,000	169.92	5.28	3.1
Tenormin Tabs 50mg	Stuart	28	9.40	100	33.55	0.02	0.1
Theo-Dur Tabs 200mg	Key	100	11.30	500	53.48	3.02	5.6
Theo-Dur Tabs 300mg	Key	100	13.42	500	63.55	3.55	5.6
Thyroid Tabs 1gr	Armour	100	1.80	1,000	15.13	2.87	19.0
Thyroid Tabs 2gr	Armour	100	1.94	5,000	16.38	3.02	18.4
Tolectin DS Caps 400mg	McNeil	100	35.87	—	—	—	—
Tolinase Tabs 250mg	Upjohn	100	27.50	1,000	265.08	9.92	3.7
Tranxene Caps 7.5mg	Abbott	100	19.53	500	96.21	1.44	1.5
Triavil 2-25 Tabs	MSD	100	23.06	500	110.02	5.28	4.8
Tylenol w/ Cod. Tabs 30mg	McNeil	100	9.20	1,000	84.85	7.15	8.4
Tylenol w/Cod. Tabs 60mg	McNeil	100	17.15	500	81.44	4.31	5.3
Valium Tabs 2mg	Roche	100	9.94	500	48.70	1.00	2.1
Valium Tabs 5mg	Roche	100	15	500	76.60	1.00	1.3
Valium Tabs 10mg	Roche	100	26.21	500	130.05	1.00	0.8
Zomax 100mg	McNeil	100	27.06	—	—	—	—
Zyloprim Tabs 100mg	B-W	100	8.40	1,000	78.46	5.54	7.1
Zyloprim Tabs 300mg	B-W	100	23.00	500	110.05	4.95	4.5

Planning Different Pricing Strategies

In many pharmacies there is a multi-tiered pricing policy. In the examples that follow four different pricing levels are utilized. One level recognizes products that are a necessity; however, due to competition, margins are low or nonexistant, i.e., birth control pills. Another level might include the top 25 products, which are usually also very competitive. The third level may include the leading 100 drugs exclusive of the top 25. The final group could include all other drugs carried in the inventory.

	% of all Rx Volume	% gross margin	weighted %	cumulative gross margin
Birth Control Pills	5%	0%	0	—
Top 25 Drugs less BC pills	25	20	500	—
Leading 75 Drugs	20	30	600	—
All Others	50*	50	2,500	—
	100%		3,600	36%

*Back into the 50%.

In practice this information can be obtained through the use of electronic data processing systems. It can also be obtained by adding additional data to the daily prescription report. The prescription number and selling price plus the number of new and refill scripts are already recorded. Additional information that should be recorded at the same time includes the name of the drug and its cost per quantity dispensed. Then it is possible to have a daily summary sheet with margins available.

Data by brand are totaled, then compiled and placed in a table similar to the one provided in this section (see One-Month Averages). This year's figures were compiled from a lesser number of stores than were used last year. As a result, some larger stores were excluded and the figures here are consistently lower than the 1982 figures. The figures still represent one month averages, though the per pharmacy numbers are slightly lower than 1982. The average number of tablets/capsules per script and % of Rxs as refills are consistent with last years numbers, however.

It is not necessary to sum information on every product dispensed. Once the top 100 products have been identified and the percent of total scripts determined, you can obtain the percentage of business for the "all other" category. Simply subtract the contribution of the first 3 categories from 100%, the difference represents percent of all volume contributed by the "all others" category.

This exercise will allow pharmacists to plan various pricing alternatives. For example, if in the interest of becoming more competitive, 25 more drugs are priced like the top 25 drugs, margin becomes 35.3%.

	% of all Rx Volume	% gross margin	weighted %	cumulative gross margin
Birth Control Pills	5%	0%	0	—
Top 50 drugs less BC pills	32	20	640	—
Leading 50 drugs	13	30	390	—
All others	50	50	2,500	—
	100%		3,530	35.3%

Another example illustrates the impact on cumulative gross margins when percent gross margin is advanced for various segments.

	% of all Rx Volume	% gross margin	weighted %	cumulative gross margin
Birth Control Pills	5%	10%	50	—
Top 25 drugs less BC pills	25	25	625	—
Leading 75 Drugs	20	35	700	—
All others	50	55	2,750	—
	100%		4,125	41.25%

One-Month Averages for Leading Products

Product	Average # tab/cap sold per pharmacy*	Your pharmacy	Average # of Rx's per pharmacy	Your pharmacy	Average # tab/cap per Rx	Your pharmacy	% of Rx's as refills	Your pharmacy	% Margin your pharmacy
Dyazide Caps	1,518		23		65		71		
Tagamet Tabs 300mg	1,207		17		73		58		
Slow K Tabs	1,081		11		94		75		
Inderal Tabs 40mg	880		9		98		77		
Dilantin Kaps 100mg	851		8		101		77		
Valium Tabs 5mg	836		15		55		43		
Inderal Tabs 10mg	711		7		105		77		
Aldomet Tabs 250mg	708		8		85		73		
Lanoxin Tabs 0.25mg	666		10		66		70		
Lasix Tabs 40mg	628		12		51		67		
Inderal Tabs 20mg	652		7		99		74		
Motrin Tabs 400mg	519		9		64		50		
Lanoxin Tabs 0.125mg	501		9		56		68		
Lopressor Tabs 50mg	484		6		77		76		
Darvocet-N 100mg	425		10		41		34		
Tylenol w/Cod. 30mg	371		11		32		26		
Persantine Tabs 25mg	369		3		112		80		

Product	Average # tab/cap sold per pharmacy*	Your pharmacy	Average # of Rx's per pharmacy	Your pharmacy	Average # tab/cap per Rx	Your pharmacy	% of Rx's as refills	Your pharmacy	% Margin your pharmacy
Procardia Caps 10mg	358		4		94		72		
Premarin Tabs 1.25mg	338		5		73		67		
Diabinese Tabs 250mg	335		5		65		69		
Thyroid Tabs 1gr	319		3		118		76		
Motrin Tabs 600mg	304		5		56		44		
Premarin Tabs 0.625mg	294		4		75		62		
Indocin Caps 25mg	267		4		64		54		
Synthroid Tabs 0.1mg	257		3		83		71		
Valium Tabs 10mg	252		5		55		35		
Aldoril-25 Tabs	252		3		74		77		
Zomax 100mg	244		7		35		30		
Ativan Tabs 1mg	243		5		51		45		
Hydrodiuril Tabs 50mg	242		4		60		75		
Dalmane Caps 30mg	235		7		32		39		
Actfied Tabs	232		5		43		43		
Naprosyn Tabs 250mg	227		4		60		59		
Theo-Dur Tabs 300mg	224		3		75		61		
Tegretol Tabs 200mg	220		2		103		65		
Donnatal Tabs	215		3		70		51		
Empirin 325mg w/Cod.	208		7		29		18		
Librax Caps	208		3		60		58		
Ser-Ap-Es Tabs	207		3		66		76		
Isordil 10mg Titradose	206		2		107		78		
Lasix Tabs 20mg	205		4		46		66		
Minipress Caps 1mg	193		2		78		74		
Nitrostat Tabs 0.4mg	193		2		96		45		
Orinase Tabs 500mg	192		2		82		77		
Hydergine Oral 1mg	189		2		89		72		
Clinoril 200mg	185		3		54		55		
Aldactazide Tabs	179		3		66		75		
Tenormin Tabs 50mg	179		4		50		63		
Mellaril Tabs 25mg	176		3		70		59		
Theo-Dur Tabs 300mg	175		2		71		58		
Keflex Pulv. 250mg	175		6		26		16		
Aldomet Tabs 500mg	172		2		86		74		
Inderal Tabs 80mg	172		2		99		77		
Valium Tabs 2mg	170		3		57		43		
Hygroton Tabs 50mg	170		3		53		70		
Achromycin V 250mg	163		3		49		29		
K-Tabs 750mg	161		2		84		70		
Tranxene Caps 7.5mg	158		3		53		47		
Feldene Caps 20mg	156		6		27		51		
Zyloprim Tabs 100mg	156		2		84		74		
Synthroid Tabs 0.2mg	155		2		84		71		
Zyloprim Tabs 300mg	155		3		61		71		
Apresoline Tabs 25mg	150		2		90		78		
Librium Caps 10mg	149		2		62		46		
Phenobarbital 30mg	144		2		99		56		
Parafon Forte Tabs	142		3		50		34		
Lopressor Tabs 100mg	141		2		80		76		
Nitroglycerin Tabs 0.4mg	140		2		104		49		
Dimetapp Extab	140		4		34		41		
Mellaril Tabs 50mg	139		2		64		54		
Catapres Tabs 0.1mg	139		2		72		68		
Brethine Tabs 2.5mg	137		2		76		66		
Persantine Tabs 50mg	137		2		88		70		
Atromid S Caps 500mg	133		2		105		80		
Clinoril 150mg	129		2		57		62		

One-Month Averages for Leading Products

Product	Average # tab/cap sold per pharmacy*	Your pharmacy	Average # of ℞'s per pharmacy	Your pharmacy	Average # tab/cap per ℞	Your pharmacy	% of ℞'s as refills	Your pharmacy	% Margin your pharmacy
E.E.S. 400 Filmtabs	129		5		27		15		
Triavil 2-25 Tabs	128		2		70		67		
Minipress Caps 2mg	127		1		89		74		
Elavil Tabs 25mg	127		2		61		65		
Corgard Tabs 40mg	126		2		53		77		
Darvon Cpd-65 Pulv	123		3		47		43		
Benadryl Caps 25mg	123		3		41		36		
Thyroid Tabs 2gr	122		2		98		76		
Hydrochlorothiazide 50mg	122		3		82		65		
Lomotil Tabs 2.5mg	122		4		34		19		
Nitrobid Caps 2.5mg	121		1		87		75		
Benadryl Kaps 50mg	121		3		42		45		
Naprosyn Tabs 375mg	121		3		46		45		
Fiorinal Tabs	121		3		47		40		
Tolectin DS Caps 400mg	123		2		58		48		
Mysoline Tabs 250mg	113		1		84		74		
Tylenol w/Codeine 60mg	112		3		43		34		
Depakene Caps 250mg	112		1		127		76		
Bactrim DS 28pk	112		5		23		—		
Klotrix Tabs 10meq	110		1		79		66		
Percodan Tabs	110		3		37		00		
Isordil 5mg Titradose	110		1		105		77		
Cogentin Tabs 2mg	109		3		41		33		
Drixoral Tabs	109		3		37		56		
Tolinase Tabs 250mg	108		2		69		73		

*Due to rounding, the average number of units sold per pharmacy (column 1), may not be the product of multiplying column 3 by column 5.

Prescription Sales Overview

Trends in the drug store prescription market appear to be an indicator of the entire drug industry and are worth careful review.

According to market figures from PDS, a Foremost-McKesson subsidiary, new prescription volume was up 1.4% in 1982 and refills were even higher at 2.8%. Overall script volume was up only 2.1% vs. the 1981-80 change that was more than 4%. (The 1981-80 change was carried most prominently by the rise in refill prescriptions during that period.)

Dollar volume, on the other hand, rose a substantial 20.2%. This is consistent with the cost of prescription drugs increasing much faster than the current rate of inflation.

As in the past, new Rx's pulled in slightly more scripts than did refills, but the difference was negligible.

Summary of New And Refill Scripts Dispensed During 1982

	Rx Volume (in millions) 1982	1981	% Change (volume)	Rx $ Volume (in millions) 1982	1981	% Change (dollar)	1982 Share
Total Rxs	1,480.0	1,450.0	+2.1	9,860.0	8,200.0	+20.2	100.0
NEW Rxs	750.0	740.0	+1.4	—	—	—	50.7
REFILL Rxs	730.0	710.0	+2.8	—	—	—	49.3

Source: Pharmaceutical Data Services (PDS)—a subsidiary of Foremost-McKesson

Top 20 Generic Products

In order to provide readers a full picture of the prescription drug market, a section on generic products is included in this unit of the Reference. Since physicians may prescribe multisource drugs by their branded trade name or common generic name, it is imperative that pharmacists identify those products which play the most significant roles in generic prescribing.

Accordingly, a comparison between new and refill prescriptions—utilizing branded or generic drugs—is provided. Data for the first nine months of 1982 are presented here to provide a clearer overall picture of physicians' prescribing patterns and pharmacists' dispensing habits.

As in 1981, the first three quarters of 1981, antibiotics account for the top five unspecified prescription items dispensed through nine months of 1982. These five products comprise 7% of *all* new generic and branded scripts dispensed. Pharmacists should therefore be familiar with the specific contraindications, drug/food interactions, and microbial spectra of these antibiotics (see the Rx Drug Reference Guide).

By recognizing those products most likely to be prescribed generically, pharmacists can keep their inventories more evenly balanced. It is recognized that physicians' prescribing habits change from area to area.

Trends for new unspecified scripts in 1982 reveal that amoxicillin continues climbing and it is now in first place, while ampicillin and penicillin slipped back to second and third position respectively. Insulin NPH jumped from 17th to 12th place, while nitroglycerin products advanced in rank going from 11th to 10th place. For the first time amitriptyline moved up to make the top 20 list.

Declines in rank were also noted: Thyroid, meprobamate, potassium chloride, ferrous sulfate, erythromycin base, and paregoric all slipped at least one notch. And for the first time, penicillin G did not even register in the top 20. Disposable syringes are no longer monitored (as generic scripts) so this category did not make the list.

Other drugs on the list retained the same rank as 1981.

The 20 drugs represented here captured 10.3% of *all* new scripts (brand and generic) dispensed, down about one share point from last year. Still their importance can't be overemphasized. Knowledge in this area will play an important role in retailers' inventory, buying, and pricing practices for the foreseeable future.

Top 20 Unspecified Drugs
9 Months 1982

Product Rank Top 20 Generics Based on New Rxs '81	'82	Generic Drug	New Prescriptions Rx volume (# millions) '81	'82	Generic Drugs % share of all new scripts (566.3 mil) '81	(570.1 mil) '82
3	1	**Amoxicillin**	8.3	9.6	1.5%	1.7%
1	2	**Ampicillin**	11.8	9.6	2.2	1.7
2	3	**Penicillin VK**	9.3	8.4	1.6	1.5
4	4	**Tetracycline Systemic**	8.0	6.8	1.4	1.2
5	5	**Erythromycin Stearate**	6.8	5.0	1.2	0.9
6	6	**Prednisone Oral**	4.1	4.0	0.7	0.7
7	7	**Hydrochlorothiazide**	3.0	3.1	0.5	0.5
8	8	**Phenobarbital**	2.0	2.1	0.4	0.4
9	9	**Digoxin**	1.3	1.3	0.2	0.2
11	10	**Nitroglycerin**	1.2	1.2	0.2	0.2
10	11	**Thyroid**	1.2	1.2	0.2	0.2
17	12	**Insulin NPH**	0.6	1.0	0.1	0.2
13	13	**Hydrocortisone Dermatologicals**	0.9	0.9	0.2	0.2
12	14	**Meprobamate**	1.1	0.9	0.2	0.2
14	15	**Potassium Chloride**	0.8	0.8	0.1	0.1
N.A.	16	**Erythromycin Estolate***	N.A.	0.7	N.A.	0.1
16	17	**Ferrous Sulfate**	0.7	0.7	0.1	0.1
15	18	**Erythromycin Base**	0.7	0.6	0.1	0.1
N.A.	19	**Amitriptyline**	N.A.	0.6	N.A.	0.1
19	20	**Paregoric**	0.6	0.5	0.1	0.1
Total Top 20		Generic Products	63.6	59.0	11.2%	10.3%

*These products were combined with erythromycin stearate in 1981 figures.

Source: New Prescription Audit.

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CHAIN STORE AGE
RCHANDISER

rn families buy convenience foods—p. 55

RUG STORE NEWS®

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High Court settles generic review issue

WASHINGTON—The Supreme Court wrote the final chapter in the Generix "unapproved drug" saga, ruling unanimously that the Food and Drug Administration has a right to require premarket approval of generic drugs.

The surprisingly clearcut decision resolves much of the legal controversy surrounding F.D.A.'s prescription drug approval powers created by a series of conflicting Federal court generic Rx rulings over the past five years.

But the book on Government drug approval authority may not be closed completely. The justices refused to rule on the related issue of whether clearly "bioequivalent" generic drugs must be subject to premarket screening by F.D.A.

Despite this legalistic loophole, F.D.A. officials hailed the Generix decision as a major victory for the agency, because unapproved generic drug copies "pose a danger to the public."

The F.D.A.-Generix dispute erupted publicly in late 1979 when the agency filed suit in Federal District Court charging that the Florida-based distributor was illegally marketing a line of unapproved generic drug products to retail pharmacies.

F.D.A. asked for and received an injunction from the trial court prohibiting further distribution of eight non-F.D.A. approved generics marketed under the manufacturer's "Goldline" brand.

That ruling was promptly reversed by a Federal Court of Appeals on the basis of Generix' argument that generic copies of previously approved "pioneer" drugs do not require separate approval by F.D.A.

That decision stunned Gov-

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Assoc./Affil. show attracts 1st-timers

New vendors reflect trends

NEW YORK—New vendors at this spring's combined Affiliated and Associated buying show will include a telephone manufacturer, a video cartridge maker and a 35mm camera manufacturer. Chain drug buyers say the addition of these companies reflects the direction of the industry.

"The telephone category is exploding, and we're in the video cartridge business. The industry is going toward electronics with phones, computers and video," according to Robert Morick, merchandising director of sundries at Gray Drug Fair.

"The show is reflecting these changes, and that's good," Morick said. "I'm going to see what's available. I'm looking for something new, but the main reason I'm going is to make sure we're not surprised by anything. I'm going to make sure we're doing what we're supposed to be doing."

Pay 'n Save buyers also looked forward to the addition of the new vendors, and a spokesman said, "The trend toward electronics is becoming more important for our chain."

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Execs eye Schering suit fallout

By Mary Christian

NEW YORK—How could the problem have gotten that bad?

That was the question chain drug execs were asking about Schering Corp.'s decision to file suit against Peoples and Rite Aid, charging the chains with "imitative trade dress" in their private-label versions of Schering's Chlor-Trimeton (chlorpheniramine maleate) tablets.

Schering alleged "unfair competition" and "deceptive practice" by the chains in lawsuits filed in Federal District Courts in Alexandria, Va., and in New Jersey.

Chains commenting on the lawsuits agreed that, although the issue of imitative trade dress for OTC products has come up previously between manufacturers and their chain customers, it has never before come to a possible court action.

Ralph Heilman, professional service director at Seattle-

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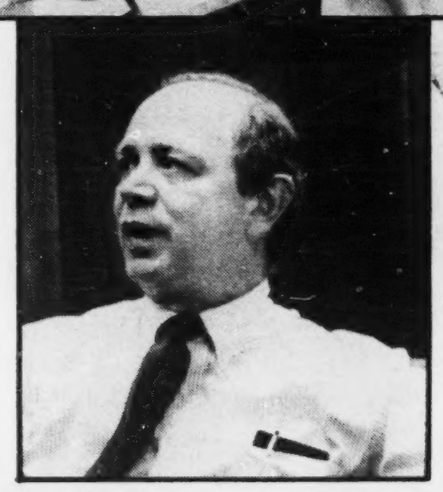

Medicare-Glaser's Medicom computer system has helped the St. Louis-based chain enhance its health image and gain market share, according to chain president Harlan Steinbaum. The system is capable of spotting potentially dangerous drug interactions.

Thrift drafts "RxBot" for script ad battle

"We've always felt we needed to create a little excitement in our stores," Thrift Drug vp and director for marketing Larry Rose says about the chain's newmarketing mascot, RxBot.

By Allen Mundth

PITTSBURGH—A 4-ft. tall robotized prescription bottle that chirps, chatters and chuckles made its debut last month as Thrift Drug introduced a major institutional advertising campaign aimed at reinforcing its already impressive Rx business.

Dubbed RxBot (short for Rx Bottle), the space-age creature is already winning over customers' hearts at grand opening celebrations, in-store promotions and other major company events. An extensive billboard blitz during January and February and a year-long television campaign consisting of four different 30-second spots are also major ingredients in Thrift's new "Rxtra" campaign.

The man behind the Rxtra campaign, an extension of the company's earlier "Rxpert" promotion of Thrift pharmacists, is none other than vp/director for marketing Larry Rose.

"We've always felt that we needed to create a little excitement in our stores," said Rose, gently stroking the large child-proof plastic cap atop RxBot's head. "And now, we think we've got it."

Continued on page 75

Rx computers boost Medicare-Glaser sales

By Faye Brookman

ST. LOUIS—Prescription business is up 10% to 15% at Medicare-Glaser, thanks, in part, to the firm's Medicom Pharmacy system, according to three top officials at the chain.

"We've had good response to the system," Harlan Steinbaum, president of the 89-store chain, told *Drug Store News*. He was referring to the computer program which signals interactions. "It is a strong health care tool in marketing our chain, and it will take our competition a while to match our services."

Using in-store video and television to educate customers about the harms of drug interactions, Medicare-Glaser has been able to capture a greater share of the Rx business in its operating markets, according to Kenneth W. Anderson, director of professional relations. The chain's major competition comes from Walgreens, K mart and Schnucks Supermarkets (both of the latter have phar-

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LATE NEWS

DART DRUG reported a 318% increase in net income for the year ended Jan. 31, to $17.4 million, or $10.37 a share, from $4.2 million, or $2.51 a share, a year ago. The earnings included an extraordinary gain of $8.3 million from the sale to Thrifty of 50% of Dart's interest in Crown Books East, the chain of discount book stores, as well as 50% of the operating systems for Trak Auto West to the same company. Without the gain, the increase in earnings was 118.5%. Sales for the fiscal year advanced 5.4% to $291.8 million from $276.9 million the previous year. For the final quarter, net earnings rose 162% to $6.5 million, or $3.82 a share, from $2.5 million, or $1.48 a share, in the comparable year-earlier period. Fourth quarter sales were $81.9 million compared to $78.7 million last year.

PHARMACY

Rising tide of elderly floods home health pool

NEW YORK—Executives see continued growth in the home health care market as hospital costs escalate and as demographic shifts in the United States population produce a bumper crop of senior citizens.

Rx Special Report: Home health care

"The most rapidly growing age segment in the United States consists of those 85 years and older," says Budd J. Norris, president and ceo of Upjohn Health Care Services. The second-fastest growing group are those between the ages of 75 and 85."

Demographers point out that sifting rates of mortality will yield a population of 38 million people aged 65 and over—the prime users of home health care equipment and services—in the next 20 years.

"Every day of the year 5,000 more Americans celebrate their 65th birthday," adds Norris, "the group is growing at an annual rate of 18%."

Chronic health care problems plaguing the elderly, coupled with expensive hospitalization and treatment, significantly increase the demand for home health care—a fact which hasn't escaped Government cost-cutters.

In fact, Government administrators view home health care as a viable way of cutting health care costs, but without eliminating much needed health care services.

So in addition to meeting patient needs, home care satisfies a societal need: It offers consumers of health services an inexpensive alternative to costly hospital-based care.

"It's costing Medicare $70 billion a year to keep patients in hospitals," says Nick Marotta,

Continued on page 26

Chronic health care problems plaguing a growing number of the elderly, coupled with expensive hospitalization and treatment, have significantly increased the demand for home health care.

Penicillin/cephalosporin market trends, January 1982 to 1983

Drug Description	Manufacturer	% Retail market share Rxs 1/83	% Retail market share Rxs 1/82	% Refills 1/83	Average price 1/83	Average price 1/82	% Retail margin 1/83	% Retail margin 1/82
Keflex 250mg	Dista	14.9	17.6	18.1	17.63	14.95	25.0	28.2
Keflex 500mg	Dista	7.4	8.3	16.1	28.66	25.11	18.0	19.8
Ceclor 250mg	Lilly	5.1	4.7	16.0	21.08	17.93	22.0	25.2
V-Cillin K 250mg	Lilly	5.0	7.3	13.9	5.98	5.74	55.0	54.8
Pen-Vee-K 250mg	Wyeth	4.5	5.5	11.9	5.67	5.89	58.0	55.7
Penicillin VK 250mg	Parke Davis	3.1	4.3	10.7	4.90	4.84	66.0	62.4
Ceclor Susp. 125mg	Lilly	2.9	2.6	7.9	12.63	10.80	32.0	35.4
Ledercillin VK 250mg	Lederle	2.7	3.1	11.6	4.83	4.97	70.0	63.2
V-Cillin-K 500mg	Lilly	2.6	3.3	16.9	8.13	8.01	45.0	44.1
Ceclor Susp. 250mg	Lilly	2.6	2.1	9.2	20.13	16.94	23.0	25.3
Pen-Vee-K 500mg	Wyeth	2.5	2.6	12.0	7.45	8.11	48.0	44.4
Keflex Susp. 250mg	Dista	2.2	2.5	14.8	17.10	14.81	26.0	27.4
Duricef 500mg	Mead Johnson	2.1	2.1	14.0	19.73	17.00	24.0	25.6
SK Penicillin 250mg	SK	2.1	—	9.5	4.52	—	71.0	—
Pen-Vee-K Susp. 250mg	Wyeth	2.1	2.4	9.7	6.12	6.31	55.0	51.5
Beepen VK 250mg	Beecham	1.9	—	10.1	5.13	—	59.0	—
V-Cillin-K Susp. 250mg	Lilly	1.8	—	11.2	6.34	—	54.0	—
Keflex Susp. 250mg	Dista	1.5	2.5	13.8	9.79	14.81	39.0	27.4
Veetids 250mg	Squibb	1.3	—	11.1	5.92	—	55.0	—
Geocillin 382mg	Roerig	1.1	—	28.6	27.15	—	19.0	—
Velosef 250mg	Squibb	1.1	1.3	16.5	17.67	15.54	26.0	27.0
SK Penicillin 500mg	SK	1.1	1.8	10.1	5.55	5.56	63.0	59.0
Penicillin VK 250mg	Generic*	1.1	1.2	13.6	4.86	5.03	74.0	75.5
Ultracef 500mg	Bristol	1.0	—	13.8	19.41	—	24.0	—
Penicillin VK 500mg	Parke Davis	1.0	1.2	10.7	6.54	6.39	53.0	50.1
Top 25		74.7	85.8	14.1	13.68	11.60	30.2	32.8
Other		25.3	14.2	13.2	11.18	8.36	35.2	40.6
Total		100.0	100.0	13.9	13.08	11.14	31.0	33.7

*Generic—These include prescriptions dispensed with other than nationally promoted brands; margin is based on average wholesale price.

Source: Decision Data

Lilly still had 50% plus penicillin market share

ARLINGTON, Tex.—An analysis of the penicillin/cephalosporin antibiotic category for the peak sales month of January 1983 reaffirmed Lilly's dominance over the field (with more than 50% of the market) while the remainder was distributed among more than nine other manufacturers.

Although the average prescription price in the penicillin/cephalosporin market rose more than $2 (15%) from the same month in 1982, retail margins delined 2.7 points during the year.

These margins represent an average drop of over eight points in the last 26 months for the category, though only eight of the top 25 products experienced declining margins and 10 products' margins showed improvement in January 1983.

A redistribution of the market share was also reflected in figures collected by Decision Data, the Arlington, Tex.-based pharmaceutical market research firm. Lilly and Dista controlled 50.5% of all prescriptions in this group in January 1983. This represents a drop of 2.1 share points from the January 1982 figure. Parke Davis, Lederle, Wyeth and Smith-Kline also lost share points in the past year. These points were picked up by Beecham, Squibb and Bristol. Mead Johnson's share remained steady at 2.1%.

The top 25 products had some new additions, such as Roerig's Geocillin, Beecham's Beepen VK and Bristol's Ultracef. In spite of these additions, the top 25 products lost market share overall, from 86.6 to 74.7 since November 1980 figures. This translates to a wider distribution of the market.

Again, the only exception to this distribution was Eli Lilly's market dominance on the strength of products such as Keflex, Ceclor, and V-Cillin K.

Rxman's dilemma: Lose copay fee or drop Medicaid

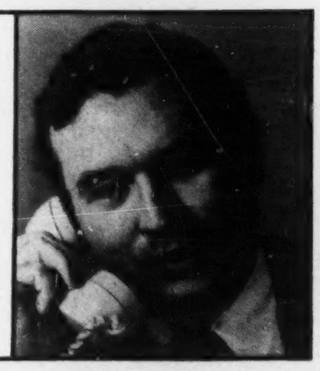
As the Federal Government backs away from its former commitment to fund health care for the indigent, pharmacists around the country will face a new crisis: Their dilemma will be whether to remain as providers of pharmaceutical services under the terms of the Medicaid contract, or to drop Medicaid because of inequities in the program.

The situation will reach crisis proportions on a state-by-state basis when hard-pressed state administrators unleash their cost cutters, who will then elect to make pharmacists collect indigent patients' copayments for pharmaceutical services.

This situation arose because Congress lifted restrictions which prevent state Medicaid offices from mandating payments from indigent patients. Now Medicaid recipients in many states will be required to make nominal payments for any pharmaceutical services received.

But a Catch-22 situation arises because state Medicaid plans say that providers of pharmaceutical services cannot deny care or services to those who are unable to share the cost of their scripts.

Joseph Caputo, RPh
Pharmaceutical Editor



Government administrators must know that it's close to impossible to collect copayments of 50¢ or a $1 per script from medically indigent patients.

At this point, things really become twisted. According to HCFA administrators, when Medicaid patients say they can't afford a copayment, pharmacist providers must still dispense the script. The only alternative is to drop out of the program.

Although it's not stated, it appears that any loss incurred when pharmacists can't collect a copayment will be borne by the pharmacy—a practice frowned on by any profit-making business.

Congress passed the copay provision as part of the Tax Equalization and Fiscal Responsibility Act (TEFRA). On the face of it, the requirement that indigent patients make a small contribution toward the cost of their medication seems reasonable. Unfortunately, HCFA administrators elected to interpret the intent of Congress in a more creative way.

As a result, pharmacists electing to participate in the program under the Administration's new copayment regs, will become the unwilling subsidizers of the prescription drug program.

A cost shift to providers is never helpful to business, but in these economic times such a practice can threaten the survival of the provider.

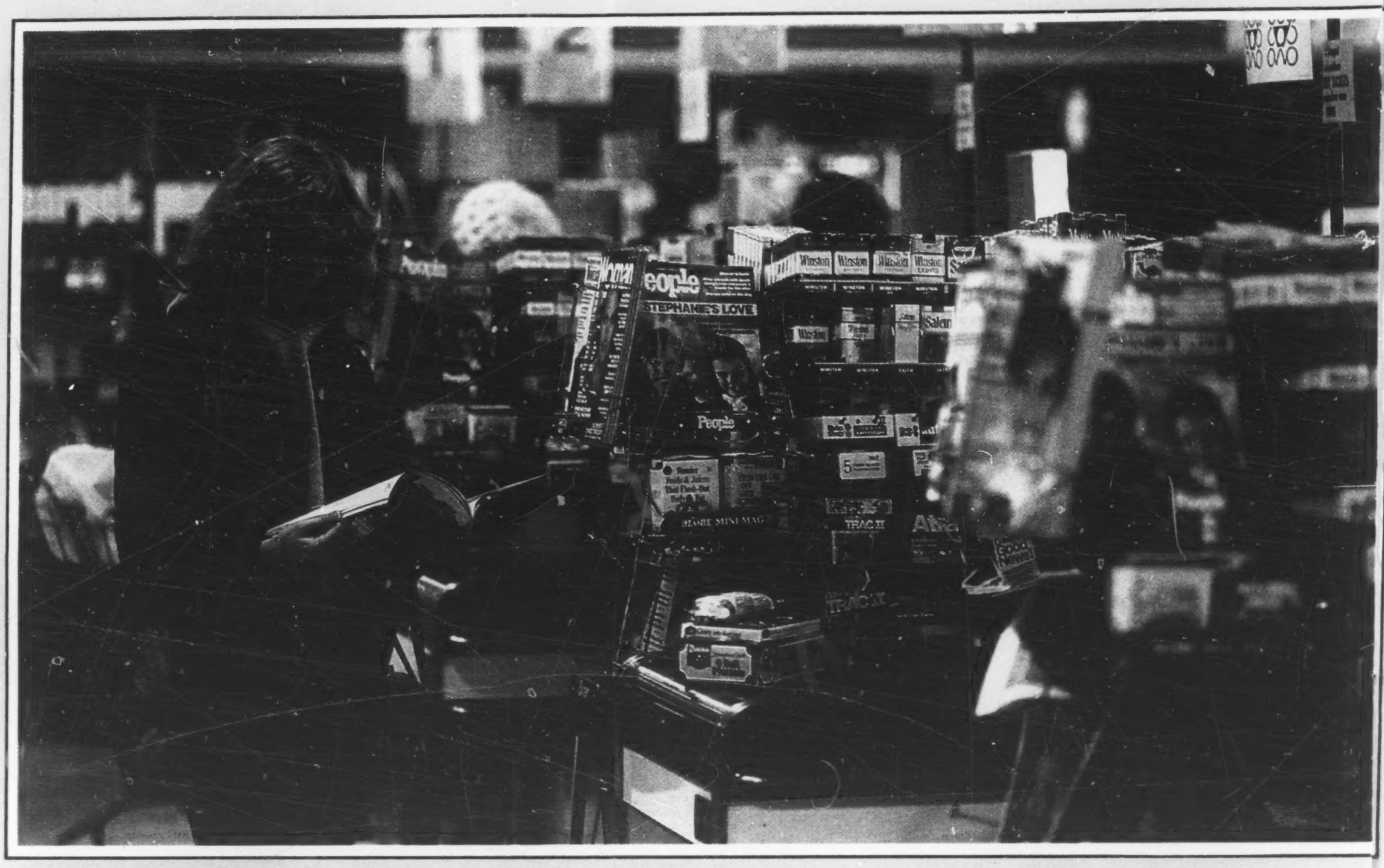
So the pharmacist's dilemma will be whether to remain in the program and take on a large number of Medicaid scripts or drop the program and contribute to the decline of public health and preventive medicine.

Some choice.

DRUG STORE NEWS®

APRIL 18, 1983

BEST SELLERS FOR TODAY'S CHAIN STORES



CLOSING THE COMMUNICATION GAP

Retailers, distributors and publishers talk more openly in an effort to solve long-standing conflicts

Ask a supermarket or drug store merchandiser to rank his 10 favorite departments, and chances are books and periodicals won't be included.

Indeed, the love-hate relationship that has characterized this department for decades continues to dominate industry debate.

Retailers, on the one hand, know that fast-turning, high-margin magazines, tabloids, paperbacks and books represent one of the most lucrative profit pockets in their stores. But offsetting this enthusiasm is the nagging realization that display allowances, title selections, return policies and maintenance duties make this department a source of frustration—not only for retailers, but also for the distributors and publishers who serve them.

There are signs, however, that the forces that once kept retailers, distributors and publishers at each others' throats are breaking down, thanks in part to a concerted effort to enhance communication and a better understanding of each party's needs.

"The lines of communication are better than ever before," reports Ronald Scott, a Connecticut consultant serving publishers, national distributors and wholesalers. "The debate, once behind closed doors, is now out on the table, and everyone seems to be gaining."

Profit-hungry mass-market retailers, led by supermarkets and drug stores, now realize that magazines, tabloids, paperbacks and books can help offset the low-margin performance of other food and nonfood product categories. Family reading centers have moved out of the test phase and are being installed almost daily in new and remodeled supermarkets and drug stores. Well-signed and well-maintained, these centers have proven to be key ingredients in the formula for attracting today's convenience-minded consumer.

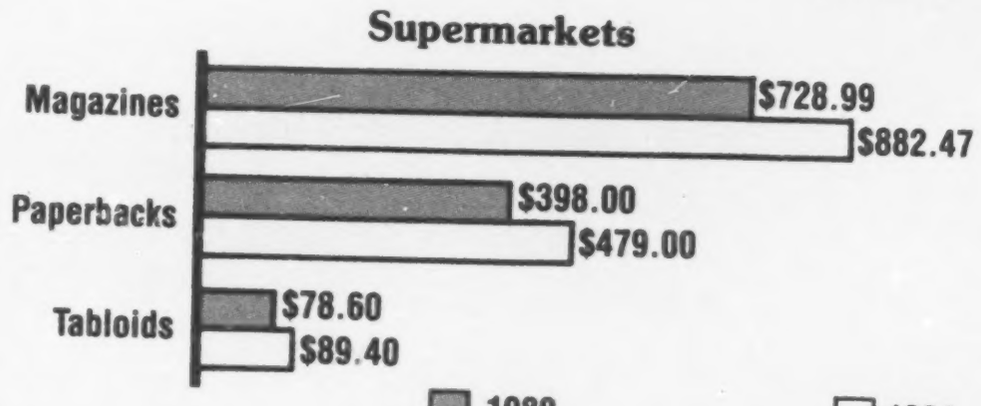
New technology has provided distributors and retailers with the ability to monitor unit sales on both a regional and individual store basis, making the process of title selection an ever more accurate science.

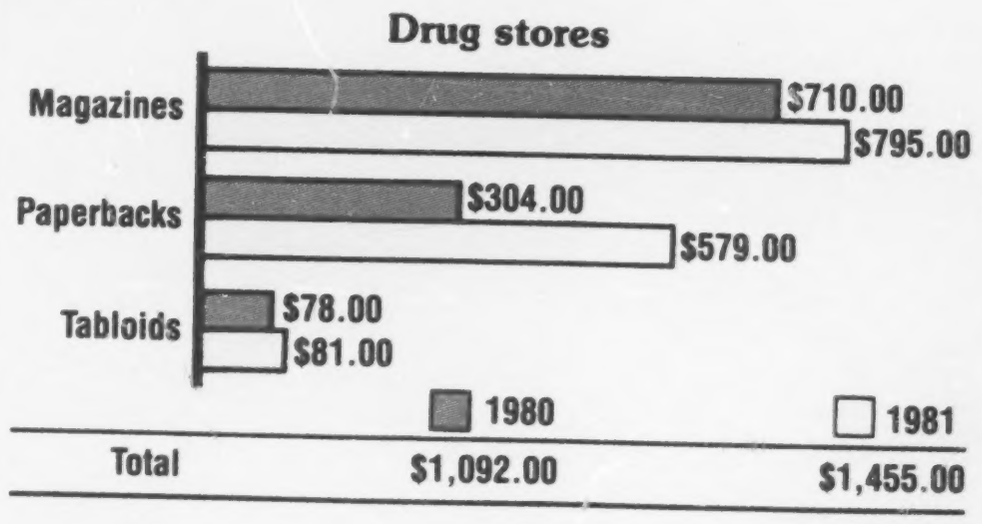
Retail display allowances, though still a headache for some retailers, are being collected with

BEST AVAIL

Magazines & books: supermarkets and drug stores

(dollar volume in millions)





Source: *CSA Supermarkets*, Periodicals Institute Inc.

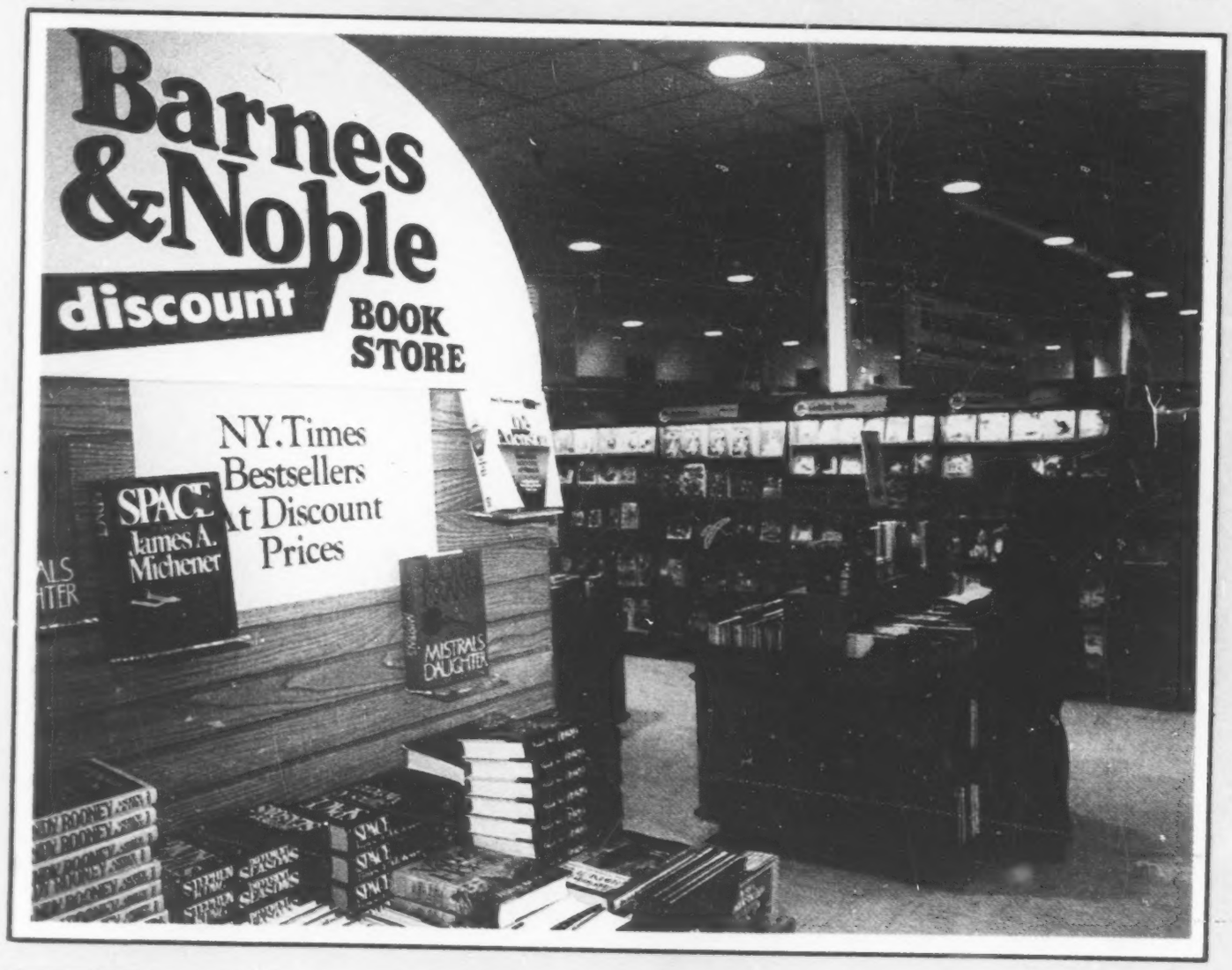
greater speed and accuracy than was ever before possible. And though still in the discussion stage, the possibility of replacing the RDA program with an acceptable up-front discount policy appears to be attracting more serious attention.

With supermarkets and drug stores now accounting for over two-thirds of the volume in this burgeoning $3.9 billion-a-year category, publishers realize that the mass market is "where it's at." Hence, their promotional, incentive and display programs have assumed a more aggressive, results-oriented posture. Both *Woman's Day* and the *National Enquirer*, for instance, launched massive consumer advertising campaigns during the past year to reinforce their ranks of already loyal readers.

Wholesalers, whose reputations have at times been tarnished by slipshod operators, have enhanced their in-store service, RDA collection and return programs to make the retailers' job easier and more profitable. And retailers, hoping to maximize this category's unprecedented profit potential, are making a special effort to maintain "balanced" front-end displays as well as orderly sales-generating in-line sections.

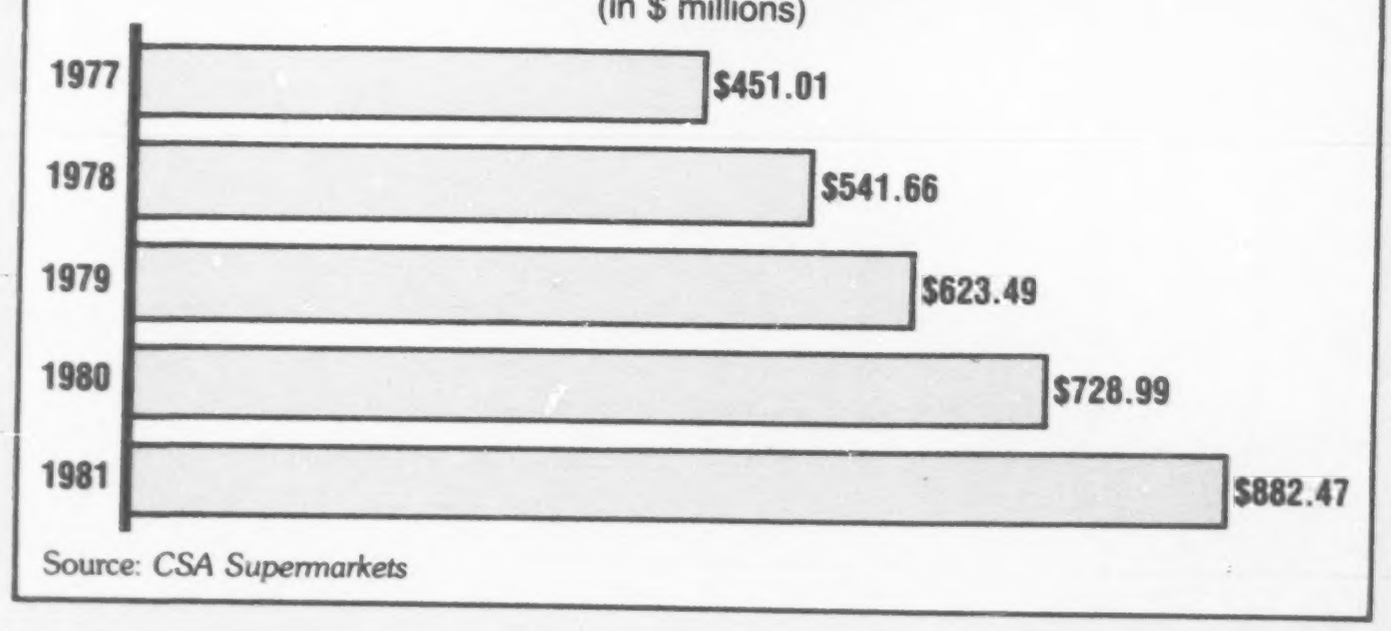
As the No. 2 general merchandise category—second only to housewares—publications represent big business and big bucks for America's supermarkets and drug stores. And although the recession softened unit sales in the past year, the Council for Periodical Distributors reports an 11% sales gain in dollar sales (in all outlets) during the first half of 1982.

The proliferation of new titles, including specialty magazines and local/regional titles, reflects the demands of today's fast-paced consumer eager to find information and relaxation in a quick and convenient way. Magazines, tabloids, paperbacks and hardcover books fill this need, and at a price most still consider a bargain. □



Magazine sales

(in $ millions)



Source: *CSA Supermarkets*

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PAPERBACK SWEETHEARTS

Romance novels still lead the paperback biz; retailers respond with expanded displays both in-line and up-front

As they have in the past, romance novels continue to rank as the sweetheart of the paperback book industry.

Indeed, while most publication categories produced only modest results last year, romance publishers continued to attract new readers and sales with an assortment of new products. Industry experts project that during 1983, romances alone will account for up to 40% of the $1.4 billion paperback business. This is good news for supermarket and drug store retailers, whose prime locations and female-dominated customer base make them the major mass-market outlets for these high-margin, fast-turning books.

With the proliferation of family reading centers, supermarkets and drug stores are devoting more and more selling space to paperbacks, whose built-in discount price structure often makes them more attractive than RDA-backed magazines. This expansion has not only generated new sales, retailers say, but has also stimulated multiple purchases.

While the classic love-story theme of most romance books remains intact, major publishers have introduced several series to attract new readers.

Harlequin and Silhouette, virtually household words in the romance publishing biz, will each supplement their existing lines with a new series this year.

Earlier this month, Silhouette introduced its "Intimate Moments" line, which spokesman Lynda Schwartz describes as a "longer-read" version (256 pages) of Silhouette's Desire series. The four monthly titles will be priced at $1.75 each during a special introductory offer, but will then move up to $2.25 retail.

"Our research tells us there is considerable interest among many of our readers for a longer version, a more complex story featuring more developed characters in almost a high-brow fantasy-like environment," says Schwartz. Slightly more sensual than its predecessors, the Intimate Moments series will cater to a more upscale reader, described by Schwartz as a "young, single professional woman earning up to $20,000 a year."

Harlequin beefed up its five-star romance series with a new line of "American" romances this spring. Set in "all-American" locations and featuring "all-American" characters, the books are targeted at readers "who may not pick up one of the sweet romances, but want something a little more sensual, yet still tactful, to read," says Harlequin's Richard Sadlon, president of sales.

"We still have a very dedicated group of readers who want what we've been giving them for years," Sadlon adds. "But at the same time, we realize that today's woman, who more often than not works outside the home, wants something that's more closely in tune with her life."

The male reader, for years ignored by book publishers, has also latched on to Harlequin's expanding line of male action adventure paperbacks. Frequently listed on the best-seller charts at major book-store chains, these books represent a small but growing market for supermarket and drug store retailers.

Backed by extensive consumer advertising in general interest magazines and on television, romance novels and their male action counterparts represent one of the most reliable categories in the entire book and magazine section. □

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Special 50th anniversary NACDS issue

'Partners in Progress' section—see inside

DRUG STORE NEWS

Vol. 5 No. 10/Incorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./ May 2, 1983

Gala events to mark NACDS' 50th anniversary

WASHINGTON—A fast-paced five days including performances by Neil Sedaka and Rudolf Nureyev and an All-American picnic on a Virginia plantation await the drug executives attending the 50th anniversary celebration of the National Association of Chain Drug Stores.

Social events and black-tie dinners will be interspersed with lectures from notables ranging from former Secretary of State Henry Kissinger to former football defensive end Merlin Olsen.

Two thousand guests are expected to attend the historic anniversary celebration. The occasion will provide drug executives with entertainment and information as well as a chance to reflect on the success of the NACDS and to consider the goals of the group.

Sessions are scheduled to begin early in the morning and go late into the night. Executives attempting to see a bit of the nation's capital that is not part of the NACDS itinerary will be hard pressed to find the time.

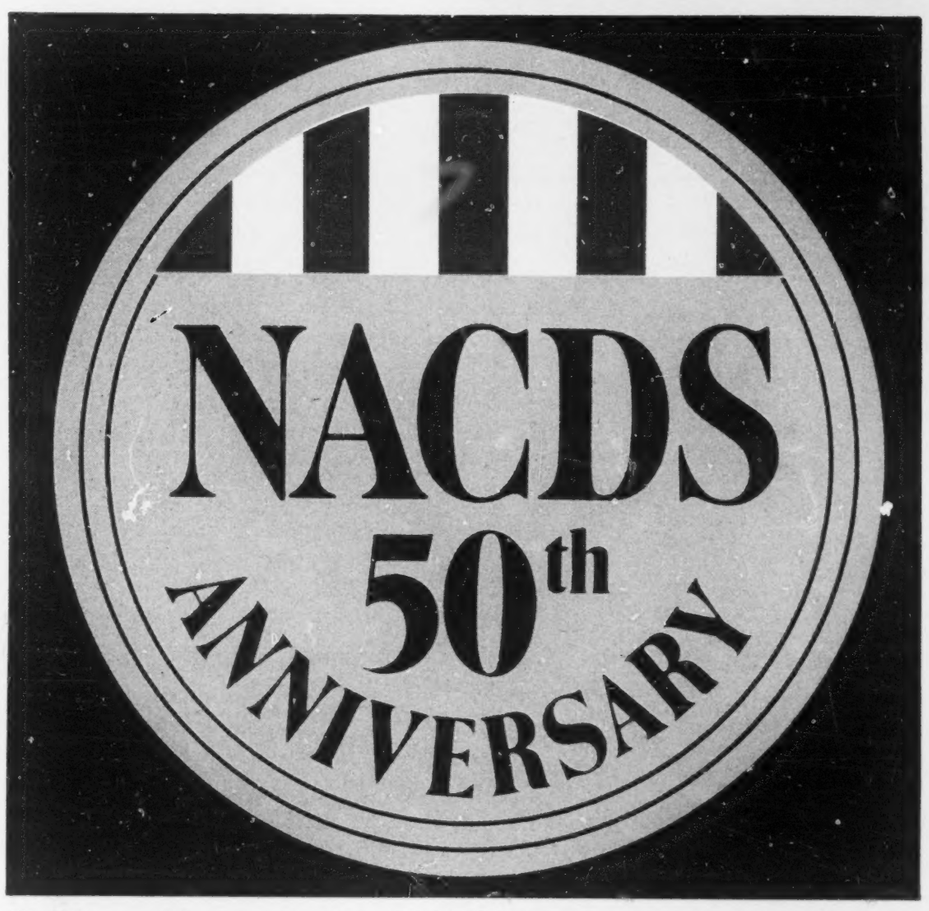
On the first Sunday night of the extravaganza, Nureyev will star in Don Quixote at the Kennedy Center. A black-tie dinner at the Washington Hilton is also scheduled for that night.

The next night, following a full business schedule that includes lectures by *New York Times* columnist William Safire and U.S. Sen. Paul Laxalt of Nevada, the chain drug executives will be treated to a buffet dinner at the National Gallery of Art.

Not only will the diners be surrounded by the Raphael exhibit, but they will be in a build-

Continued on page 50

Some 2,000 chain drug executives are expected to descend on Washington for 50th Anniversary Celebration of the National Association of Chain Drug Stores.



Striking emblem symbolizes NACDS' 50 years' service to health care.

Kissinger, others to speak

WASHINGTON—Henry Kissinger will lead a variety of top-flight speakers representing government, business, sports, journalism and entertainment at the 50th Anniversary of the National Association of Chain Drug Stores.

Kissinger, the former secretary of state in the Nixon and Ford Administration, is scheduled to address the NACDS on the morning of May 11, the last day of the five-day anniversary celebration.

The first speaker of the celebration will be television announcer Howard K. Smith, who will be the emcee. Smith will introduce on May 8 an audiovisual presentation of the history of the NACDS as well as presentations by television personalities Barbara Walters and Ted Koppel.

On May 9, Smith will be back to introduce New York Times columnist William Safire, U.S. Senator Paul Laxalt (R-Nev.) and Robert Strauss, former chairman of the Democratic National Committee.

On May 11, the speakers besides Kissinger will be Owen B. Butler, chairman of Procter & Gamble, and Merlin Olsen, former professional football player and now a sports commentator.

Sheldon W. Fantle

Sidney Dworkin

Robert J. Bolger

Association's leaders reflect on gains, goals

WASHINGTON—"The 50th anniversary is the type of event that makes you look back and see where you've been. It's a nostalgic period that you like to reflect upon, but you still have to look to the future," said Sidney Dworkin, chairman, president and ceo of Revco and the outgoing chairman of the National Association of Chain Drug Stores.

The NACDS leadership, ranging from Dworkin to incoming chairman Henry A. Panasci Jr., the chairman and ceo of Fay's Drug, and Sheldon W. Fantle, president and ceo of Peoples Drug and the chairman of the 50th anniversary meeting, agree the organization has solidified the voice of pharmacy, but must continue to prepare for the future.

Robert J. Bolger, president of the NACDS, summed it up, "We are celebrating the 50th birthday of NACDS, but it is even more important to recognize the more than 50 years of great service that the chain drug industry has provided for the American public.

"In this relatively short history, chain drug stores have become a major dependable source for the health care services and other needs. They have been among the leaders of innovative retailing and merchandising practices. The next century should see even more progress in developing new and improved services for American consumers," he said.

Henry A. Panasci Jr.

Dworkin noted the drug chains have proven to be recession-resistant in their 50-year metamorphosis. "There are prescriptions and convalescent

Continued on page 50

1933: NACDS forms, offers hope for future

In sharp contrast with this gala 50th anniversary celebration, NACDS' first meeting was a sombre event triggered by the ravages of the nation's Great Depression.

Meeting at New York City's Vanderbilt Hotel, representatives of five drug stores chains agreed that, if they were to survive the post-Depression recovery, drug chains had to secure an organized voice on the Retail Drug Code Authority, an offshoot of the Federal Government's National Recovery Act (NRA).

Fred J. Griffiths, president of the Pennsylvania Drug Co., organized the meeting, which was also attended by C. S. Davis of the Dow Drug Co., Cincinnati; Louis Rodnon of Silver Rod Stores, Brooklyn, N.Y.; Wallace J. Smith of Read Drug Stores, Baltimore; Harry Kaufman of Whelan Drug Co., New York; Max and Joseph Rosenwald of Affiliated Drug Stores; *Chain Store Age* editor Godfrey M. Lebhar, cofounder with Arnold Friedman of *Drug Store News*' parent company, and New York attorney C. H. Scott.

These drug store retailers, like their contemporary counterparts, had high hopes for the future of America's chain drug stores. But just three months after the inaugural meeting, association president George M. Gales, president of the Louis K. Liggett Co., New York, asked his colleagues whether "this organization, as it now stands, has any definite place? Should it be continued, now that it has served its original purpose, or should it be disbanded?"

In a loud, enthusiastic and

Continued on page 50

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— News in brief —

Brody, Pathmark ceo, dies

WOODBRIDGE, N.J.—Herbert Brody, vice chairman and ceo of Supermarkets General Corp., owners and operators of Pathmark Stores and pharmacies, died April 11, 1983. He was 68 years old.

Brody was one of the nation's leading supermarket retailers. He was a founder of the Wakefern Food Corp. in the 1940's and served as president of the Shop Rite Stores. In 1956, along with Alex Aidekman and Milton Perlmutter, he formed Supermarkets Operating Co., the predecessor of Supermarkets General. In 1968, he helped create Pathmark Stores, the nation's 10th largest food chain. Pathmark presently operates 115 units with pharmacies.

Eckerd opens jet center

CLEARWATER, Fla.—Jack Eckerd Corp. recently held the grand opening of its Jet Executive Center at the St. Petersburg-Clearwater International Airport.

The facility is a full-service fixed based operation with a 19,000-sq.-ft. hangar and a 6,400-sq.-ft. office building. Eckerd houses two of its own airplanes in the hangar and rents space to other companies in the Clearwater area. Services offered include aircraft maintenance and repair, fuel, car and limousine rentals, aircraft catering, a conference room and a pilots' lounge. The site is about 10 miles from Eckerd headquarters.

Two gain promotions at SDM

TORONTO—Shoppers Drug Mart President David R. Bloom has announced the appointment of Herbert Binder as executive vp of the chain's Central West Region and Albert (Ubby) Krakauer as executive vp of its Central East Region.

Central West includes 88 Shoppers Drug Mart stores in Western Ontario and Manitoba, and Central East comprises 104 stores in Eastern Ontario.

Both Binder and Krakauer joined SDM as associate store owners, and through their participation in various associate, regional and central office committees, have gained extensive knowledge of the company. Krakauer has also served as head of Koffler Academy, the company's in-house training institute.

SDM operates 439 drug stores in Canada and the United States, which during the most recent fiscal year, achieved $1 billion in sales for the first time.

Skaggs closes after peso devaluation

SAN YSIDRO, Calif.—Citing the devaluation of the Mexican peso as the cause of dwindling sales, the Skaggs Drug Center here closed its doors. A nearby Alpha Beta also closed. Both stores were just inside the American border.

Skaggs sold its pharmacy files to the Longs drug store in San Ysidro.

The peso dropped from 27 to the dollar in February 1982, to 150 to the dollar in late March 1983.

Low-margin chains expand in Detroit

DETROIT—There's some low-margin action in this market, with two deep discounters announcing plans to expand. F&M Distributors, the Warren, Mich.-based chain of discount units, has signed leases for two more units in the Detroit area. This will bring the chain's total to 11. While most of the stores operate in Michigan, F&M has branched out to Indiana, Ohio and Illinois.

In addition, Sonny and Cecille Raichlen, the husband and wife team that opened Cecille's in 1981, have plans for a second store. The couple presently operate a 7,000-sq.-ft. store in posh Birmingham, Mich., and it is expected that the second unit will be positioned in an equally affluent area. Rather than concentrate on the cut case and plain decor associated with discounting, Cecille's sports a spotless and clinical look.

Winner of Nostalgia Quiz #23 chosen

Don Collier of Hook Drugs in Richmond, Ind., is the winner of $100 in *Drug Store News'* Nostalgia Quiz #23. The correct answer was Katz & Besthoff, which put dollar bills on the front seats at managers' meetings to encourage people to move to the front.

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Vol. 5, No. 10 May 2, 1983

Bill's Drugs acquires 6-unit Medico chain in No. Calif.

LAFAYETTE, Calif.—Bill's Drugs has acquired the six-store Medico Drug chain, headquartered in Santa Rosa, Calif., for cash and stock.

Mike Franchetti, former president of Medico and son of the chain's father, will be a board member of Bill's.

Medico stores (5,000 sq. ft.) are located north of San Francisco near the three stores recently acquired from Pay 'n Save. Pay 'n Save owns an undisclosed percentage of the Bill's chain.

The Medico acquisition brings Bill's to 26 stores. All units are in northern California, 150 miles north and 150 miles south of Bill's headquarters.

Bill Eames, president of the chain, opened his first store in 1959 in Lafayette with 2,700 sq. ft. of space. It was relocated once, remodeled and enlarged to include his office, and wound up with 15,000 sq. ft. It is his No. 1 profit store.

The real growth of Bill's Drugs occurred in 1974 when Eames bought three stores from SupeRx. Subsequently, he bought six from Pay 'n Save, before acquiring the three additional units from Pay 'n Save last month.

Basically, Bill's operates stores in three sizes: 10,000 and 15,000 and 20,000 sq. ft. However, some of his recent acquisitions (including Medico) have been smaller. These include Calaway's (9,000 sq. ft.) in Madera, and a 1,000-sq.-ft. Serv-U and a 5,000-sq.-ft. Serv-U in Merced.

Hook, Rite Aid to open downtown stores in revitalized Indianapolis

INDIANAPOLIS—Hook Drugs has returned to the Mile Square section of downtown after a 12-year absence, and Rite Aid is about to open its first store in the area under the Rite Aid banner.

Rite Aid also owns a Drug Palace in Indianapolis, but it is a low-margin, deep-discount store that operates outside the Rite Aid distribution network. The unit does not have a Rite Aid logo.

Rite Aid's entry into Mile Square and the return of Hook are part of the revitalization of the city's business district.

While Hook is based in Indianapolis and has always operated stores in the downtown section, including a unit near the State Office Building, the chain pulled out of the Mile Square area 12 years ago during the flight of business to the suburbs.

"There used to be a Hook's on every corner," according to chain spokesman Tom Dingledy. He said the chain left the Mile Square because there was not enough business to support the drug stores.

At one time, there were 17 Hook stores in Mile Square.

But the Mile Square area is being renovated, and the Hoosier Dome, which is sceduled for completion in 1985, is expected to bring conventions to the city. The new 6,000-sq.-ft. Hook store, which is slated to open this spring, will be in the North Illinois Park multilevel parking garage and adjacent to the downtown Hilton Hotel. it will be across the street from the new 35-story American United Life Insurance Building.

The new Rite Aid, which is under construction, will be similar to the chain's 6,500-sq.-ft. prototype.

Pay 'n Save to expand testing of Seattle nutrition centers

SEATTLE—Within the next two months, Pay 'n Save will test McKesson's Health Spectrum nutrition center in six more stores in the Seattle area. The chain has been testing in two stores since mid-November 1982.

Pay 'n Save began advertising in January and has been running one-half-page and full-page freestanding ads twice a month. The test stores feature six to 10 ad items, with prices 25% off regular retail, except for books, which are reduced 10% to 15%.

"Books," says Jim Agopsowicz, Pay 'n Save's OTC drug merchandiser, "have been sleepers." The price range is $2.95 to $16.95.

Other good selling ad items are combination packs of Thompson and Schiff vitamins (2-packs at reduced prices); bee pollen, lysine, E and C vitamins, stress vitamins and protein powder.

Not only are ad items changed, but so is the advertising vehicle—three different newspapers are being tried.

"In testing further," says Agopsowicz, "we will probably retain the same size section at one store [15 to 20 ft.] while increasing the facings of fast sellers and reducing facings for slow sellers. In the other store we will eliminate the slow sellers, taking 4 ft. off the vitamin section, and thus shrink Health Spectrum to about 12 ft."

Currently, a typical section has 300 sku's. In addition to vitamins, books, protein powder and herbs, the section also contains skin care products.

Inventory investment at cost is $3,000 to $5,000, with 50% of the space devoted to natural vitamins. Health Spectrum is across the aisle from natural private label and controlled vitamins, thus forming a vitamin valley.

Staple merchandise is sold at 35% to 40% margins, as compared to 40%-60% in health food stores.

Pay 'n Save is shooting for six turns a year. At present, the merchandise is turning half that.

Agopsowicz says he selected McKesson as the supplier because "it is more convenient to buy from one source. In ordering direct, the problem in many lines is the large minimum orders required. Direct not only builds inventories, but reduces return on investment."

But health food flunks out after one year in Sav-On test

HAWTHORNE, Calif.—After more than a year of testing, Sav-On will close its nutrition center (called the Natural Body Center) after it sells down the existing stock. Sales have been far below the chain's expectations.

The center was 25 ft. long by 13 ft. wide and was located in the right front corner of the store.

All the items in the center were packaged. One side wall was stocked with natural hair care items, books, vitamins, herbs and tea. The opposite wall had foods, grains, seeds, cereal, nuts, crackers and chips.

Against the back wall was a five-door refrigerator/freezer unit.

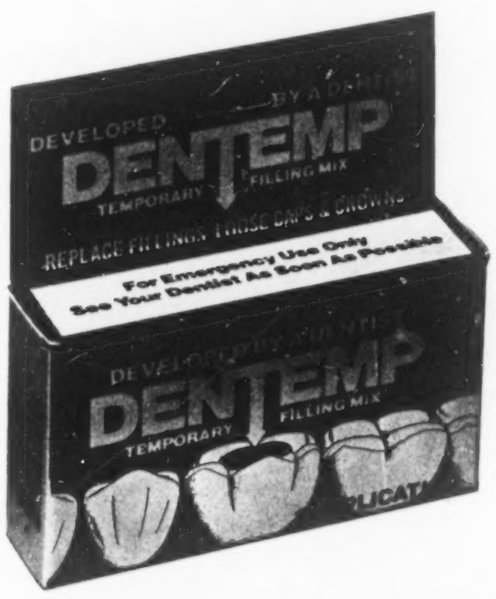
In the fall of 1982, Sav-On made changes in the product mix to try to buoy lagging sales. The changes: all frozen food

Continued on page 130

Private label soda

K&B introduced private label soda in January and the product has been doing well, according to Sydney Besthoff III, chain president. "It's very promotable. We just got in with four or five flavors," he said. The chain has long carried private-label beer and whiskey plus prominent displays of brand-name sodas, often featured on endcap displays.

If you have ever lost a filling or had a loose cap or crown, and couldn't get to your dentist immediately, even you might have suffered!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PHARMACY

Two-thirds of all doctor visits result in prescriptions—survey

WASHINGTON—Physicians prescribe drugs in nearly two-thirds of all office visits, today, but the use of medication therapy varies greatly for different diagnoses from a low of 29% for general examination to a high of 94% for certain respiratory conditions, a newly released Government survey found.

Overall, a surprising 13% of all drugs prescribed during M.D. office visits are for over-the-counter medications, according to the most recent (1980) data collected by the National Center for Health Statistics.

The survey was based on 46,000 patient-related forms from 1,869 office-based physicians on 18 "common" ailments ranging from disc disorders, to diabetes, to hypertension.

Among other things the survey found "visits for some diagnoses were more drug-intensive than others." Drug intensity referred to the number of drugs prescribed during one office visit.

According to the survey, ischemic heart disease had the highest drug intensity rate at 2.54 prescriptions per visit. "On the average 20% of the visits included three drugs and 29% included four or more," Government researchers said.

Three cardiac drugs—Inderal, Lanoxin and Digoxin—accounted for 21% of the 26,523,000 drugs prescribed in office visits involving heart disorders. Another 20% consisted of the vasodilating agents—Isordil, Nitroglycerin, Nitro-bid, Nitrostat and Sorbitrate.

On the other hand the lowest illness-related drug intensity rate was for neurotic disorders (0.88%). Only during 52% of the 13.7 million office visits surveyed did physicians prescribe one or more drugs in treating neurotic problems.

Who's getting all those prescriptions?

	# of Rxs (in thousands)	# of Rxs (per patient visit)	# of Rxs (per person annually)
Patient sex			
Male	358,822 (40%)	1.09	3.26
Female	528,896 (60%)	1.09	4.49
Patient age			
0-2	51,628 (5%)	0.83	4.92
3-9	47,001 (5%)	0.89	2.09
10-19	65,249 (7%)	0.82	1.70
20-39	204,836 (22%)	0.89	2.78
40-59	208,225 (22%)	1.14	4.52
60-64	74,544 (8%)	1.32	7.02
65+	290,910 (31%)	1.46	11.08
Geographic region			
East	209,811 (22%)	1.03	4.25
Midwest	264,269 (28%)	1.12	4.49
South	311,532 (32%)	1.16	4.05
West	174,360 (18%)	1.02	3.95
Total	959,972 (100%)	1.09	4.19

Source: F.D.A.'s *Drug Utilization in the U.S.—1981.*

Valium was prescribed the most often followed by Tranxene, Ativan and Librium. Together these products accounted for 20% of the 11,951,000 drugs prescribed for patients with neurotic disorders.

Just as visits for some diagnoses were more "drug-intensive" than others, the likelihood a physician would prescribe brand name drugs rather than generic products also differed with the ailment.

A higher than average use of brand names occurred when the diagnoses were for neurotic disorders (85%), disc disorders (85%), and back strains and sprains (83%), the survey found.

On the other hand, generic drugs were prescribed with greater frequency for diabetes (33%), obesity (35%), throat disorders (34%), infant and child care (75%), and medical examinations (45%).

"The relatively high proportion of generic entities mentioned with the last two diagnoses were probably due to the large number of immunizations given during the total visits," the survey maintained.

While Rx drugs—brand name or generic—accounted for the majority of medication prescribed overall OTC drugs were selected more frequently in certain cases including diabetes (25%) because of the utilization of insulin, and throat disorders (15%) "probably due to the availability of many OTC drugs used for symptomatic relief of these conditions," Government researchers said.

Over-the-counter drugs also accounted for a significant proportion of the drugs prescribed for pregnant women. Vitamins comprised 67% of these drugs and the most frequently named multivitamins were Prenatal Formula, Materna, Stuartnatal, Pramet PA and Watalins.

The survey also attempted to determine the type of medication most likely to be used.

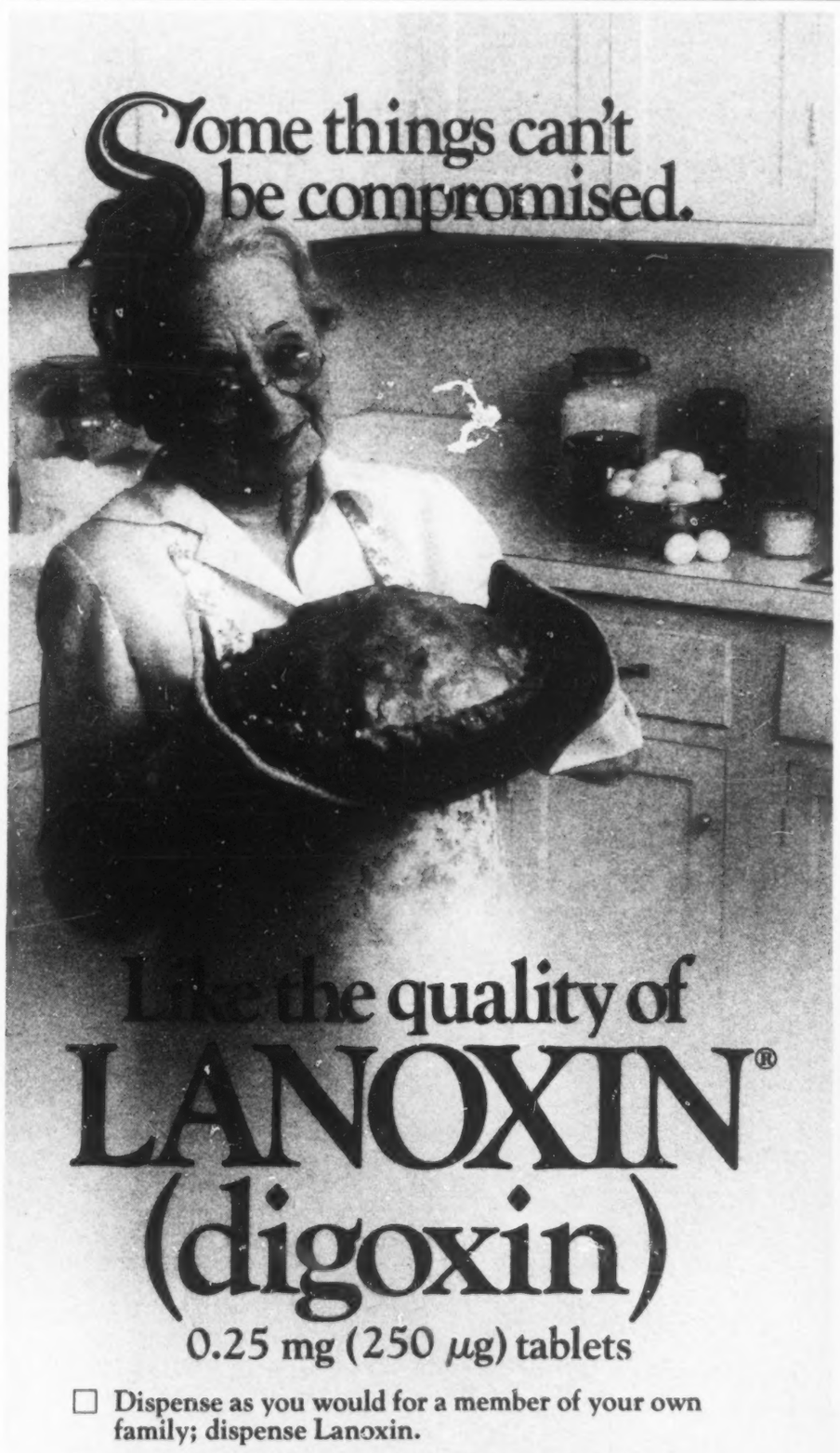
Researchers found antihistamines, anti-infective agents and cough preparations accounted for 80% of the 32 million drugs prescribed during 177 million office visits involving upper respiratory infections (URI).

The antibiotics Penicillin, Tetracycline, and E.E.S. were ordered with almost equal frequency and comprised 11% of the drugs prescribed by physicians for URI, the study said.

In contrast to the frequent use of drugs in treating respiratory infections, researchers found that medication therapy was "used only in about 61% of visits for disc and other back problems."

The largest category of drugs used was analgesics and antipyretics which accounted for 41% of 7,138,000 drugs prescribed during office visits for back disorders.

Aspirin, acetaminophen (with and without codeine) and phenacetin were the most commonly used generic substances.



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1983 ANNUAL REPORT OF THE

CHAIN DRUG INDUSTRY

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DRUG STORE NEWS®

Vol. 5 No. 11/Incorporating **CHAIN STORE AGE Drug Magazine** Published by Lebhar-Friedman Inc./May 16, 1983

Chain's market share grows as volume rises nearly 10%

NEW YORK—As inflation slowed to a slow walk in 1982, the increase in chain drug sales dropped below the double-digit rate for the first time in more than a decade.

According to *Drug Store News'* Annual Report of the Chain Drug Industry, chain drug sales reached $28.66 billion last year, 9.9% higher than in 1981.

Chains again outpaced the drug store industry as a whole by a substantial margin. Total drug store sales as measured by the Commerce Department increased 6.7% to $35.85 billion, and chain drug companies of two or more stores managed to capture 79.9% of the total market, up from 77.6% in 1981. A decade ago, chains held a 57% share of market with sales of $9.62 billion.

According to *DrSN*'s annual chain survey, average sales per chain unit advanced by 8.6% to $1.42 million, a shade above the 1982 chain drug industry same store sales increase of 8.2%.

While total chain drug sales increased by 9.9%, the 50 largest chains racked up sales increases averaging almost two percentage points higher.

In 1982, the number of chain drug stores increased by 244 to 20,225, giving two-or-more-store chains a 45.5% share of total stores, compared to 42% last year.

Chains generally scaled down their expansion and acquisition plans last year in an effort to reduce costs. For the most part, they pursued a "backfilling" strategy of strengthening existing markets with small acquisitions, in contrast to the "acquisition fever" in 1981.

The most active chain in the acquisition market was Rite Aid, which picked up the five-store Cochran chain in Columbus, Ohio; the 27-store Mann Drug chain in North Carolina, and the 19-store Lomark Discount Drugs in Ohio.

Revenues up 10% plus

Top 4: Rx, OTC, photo, DIY

The categories showing the heftiest sales gains during 1982 were prescriptions, drugs/proprietaries, photo and photo processing and do-it-yourself. All four of those categories showed a better than 10% sales increase and combined to produce sales of almost $12 billion.

The success of these categories supports the fact that drug stores are still favored for traditional items, including Rx, yet viewed as a convenient location to purchase items such as DIY or for film processing. More and more chains are adding one-day film developing service because of its great success.

Following is a brief synopsis of the trends in the top performing drug store categories:

Prescriptions—Rx accounted for 18.3% of the $28.66 billion chain drug store sales posted in 1982. Prescription sales—thanks to price increases and new drugs— jumped 16.1% last year for an all-time high of $5.3 billion. Indeed, the pharmacy counter strengthened its position in the store; last year Rx accounted for only 17.5% of volume.

Drugs/proprietaries—This category continued to produce 15.3% of total drug sales, the same figure as last year. Sales rose 11.2% over 1981 to $4.4 billion.

Photo and photo processing—Shoppers like the convenience of drug chains for processing, and drug chains like the sales and profits clicking in this category. Sales reached $1.3 billion, up 12.3% over 1981.

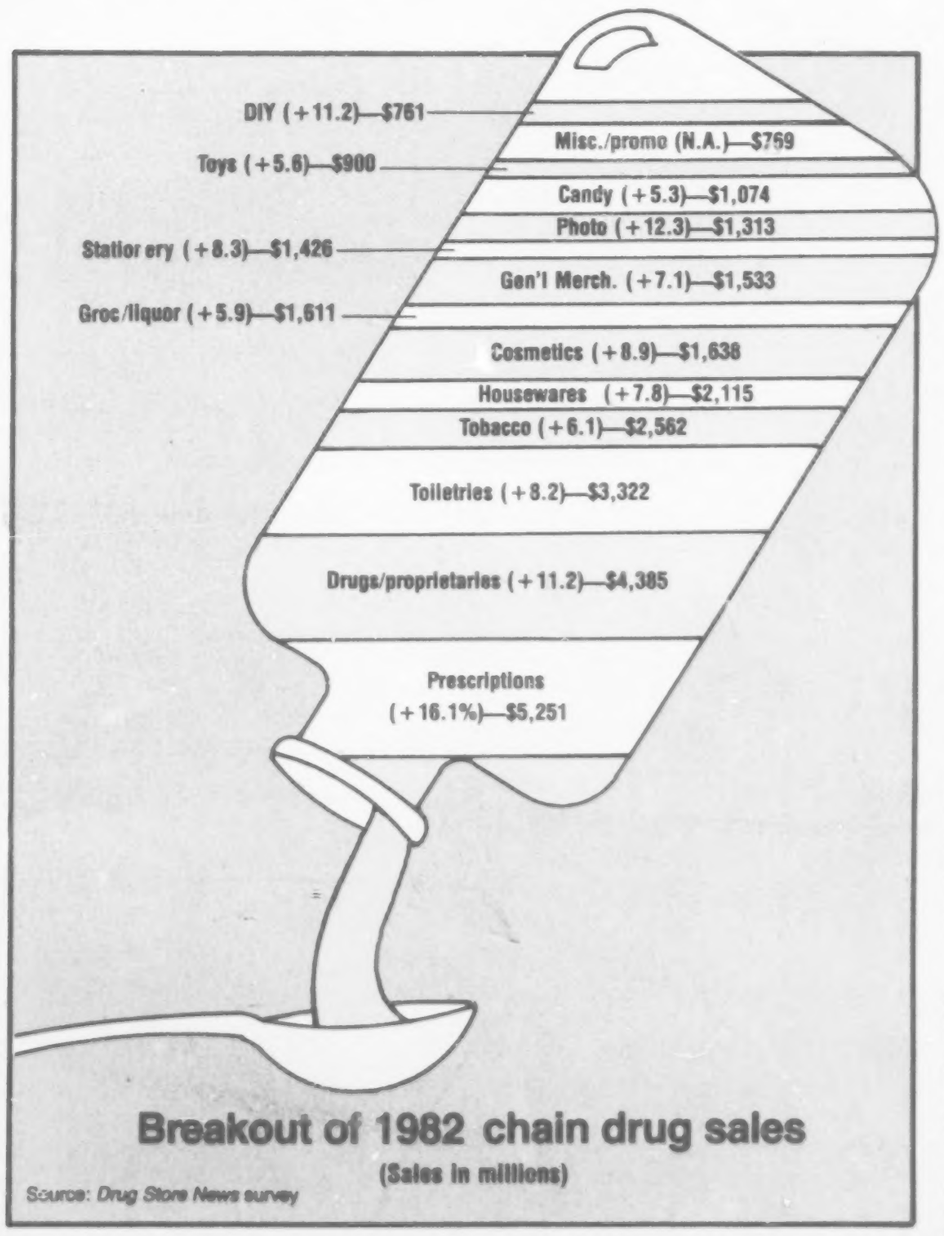
DIY—There is no end in sight for the do-it-yourselfers. Sales of this category jumped 11.2% to $761.1 million and now account for 2.7% of chain sales.

Toiletries and cosmetics showed an 8.2% and 8.9% increase, respectively. Toiletries now account for 11.6% of total chain sales, cosmetics garner about 6%.

Housewares and general merchandise showed modest gains, but did suffer somewhat from the economy. In 1982, housewares registered a 7.8% increase, while general merchandise rose 7.1%.

Tobacco, candy, toys and food showed only modest sales gains.

On the whole, retailers were pleased with the performance of the standard drug store mix.



Breakout of 1982 chain drug sales
(Sales in millions)
Source: *Drug Store News* survey

Chains defy economy; earnings outstrip sales

NEW YORK—By all rights, 1982 should have been a mediocre year for the chain drug industry. Rising unemployment and drooping consumer confidence took a toll on sales and profits of other retail segments.

But for the chain drug companies, the crucible of hard times forged a steely will not only to survive but to excel.

In most instances, that is just what happened. Chains tightened their belts, trimmed payrolls and other expenses, kept inventories lean, postponed expansion plans and borrowing, concentrated on existing stores.

The result: Net profits for the year generally outran sales on a percentage basis.

Fay's Drug, for example, reported a sales increase of 17% for the year, but a profit leap of 78%. Walgreens' sales rose 17% and profits 33%. Pay Less chalked up an earnings gain of 16% on a sales increase of 3.5%. Pay 'n Save sales were up almost 10% compared to a profit gain of 30%.

Revco was a good example of how chains reacted to the threat of recession. Early in the year, the chain introduced a cost-cutting program called IMPACT (Ideas to Maximize Profit and Cultivate Thrift). The program included a personal letter from president Sidney Dworkin to each of the chain's more than 1,600 store managers asking them to come up with ideas designed to save $10 a day per store. The result was that in each of the last four quarters through Feb. 5, 1983, Revco's profits increased at a faster rate than sales. In the most recent quarter, for example, earnings increased almost twice as fast as sales (29% vs. 15%).

Rx volume, price gains boost sales 16%

NEW YORK—Growth in prescription volume in the nation's chain drug stores was just short of phenomenal last year, according to *Drug Store News'* Annual Report of the Chain Drug Industry.

A 3% gain in the number of scripts coupled with retail price increases of 13%—to $10.17 per average script—produced a 16% sales advance for chain drug pharmacy departments.

The gains trace to the introduction of more expensive new prescription drugs as well as manufacturer price increases that averaged 11.7% for the year.

In fact, for the first time in recent memory, prescription prices climbed much faster than the consumer price index.

Despite some well-known Rx drugs being converted to OTC status, script counts posted a gain.

Speculation by some analysts is that script counts will continue to rise, given the continued expansion in the number of senior citizens. Demographers say those over 65 are part of the fastest-growing segment of the United States population.

In spite of forecasted growth, there is a growing problem on the horizon. Increasing costs of newly developed drugs and continued price increases are spurring third-party administrators to become more cost-conscious.

This problem takes on added dimensions because the number of third-party scripts continued to grow, although not at the rapid pace seen in years past.

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Towle optimistic after building new exec team

By Allen Mundth

NEW YORK—Eighteen months after he took over as Gray Drug Fair's new president and general manager, Alvin Towle has completed what he cited then as his foremost task: assembling a blue ribbon management team to restore the two underperforming chains into a viable retail operation.

In fact, since his arrival at Gray Drug Fair's Cleveland headquarters, appointments to 31 of the company's top 33 management positions have changed. Fifteen of the new appointees were internal promotions; 16 represented transfers from other retail chains, including GDF's parent company Sherwin Williams and a host of major drug chains (Peoples, Eckerd, Thrift, Fay's, SupeRx, Shoppers Drug Mart and Medi Mart).

The 31 appointments, including new vice presidents in charge of GDF's Northern, Atlantic and Southern regions, will be the catalyst for numerous operational changes still to be made at the 380-store chain, said Towle.

"It's taken us this long just to get off the roller coaster Gray Drug Fair was riding for so long," Towle told *Drug Store News* in an interview here last month. "And we've still got a long way to go. On a scale of one to 10, I think we've reached a four or five. I'll be happy when we get to an eight or a nine."

Although chainwide in scope, Towle's rebuilding plan during the past year was focused primarily on the Atlantic region, where a management shake-up prior to his arrival, as well as distribution problems stemming from Gray's earlier takeover of the Drug Fair chain, seriously threatened its market share.

Drug Fair's decline—from earnings of $4.1 million in 1976 to $1.4 million in 1981—was well under way when Gray sold its troubled Rinks department store chain in early 1981 for the $34 million needed to buy Drug Fair. The subsequent dismissal of numerous top Drug Fair managers left the division in the hands of out-of-town managers, most of them unfamiliar with the Washington, D.C., marketplace.

Local control

Recognizing the need for local management control, Towle has changed all that, not only by appointing the new regional vps, but also by naming new regional merchandise/marketing managers.

"As diverse as we are—with multicities, multicultures and multiclimates—we couldn't expect to control it from Cleveland," he said.

As a result, both buying and pricing—though done centrally at GDF headquarters—now involve considerably more regional input than they did in the past. Already, the changes are bringing results:

During the first three months of the current fiscal year (January, February and March), Gray Drug Fair's sales rose 15% over sales in the comparable year-earlier period. Prescription sales were well ahead of last year's pace during the period. For the fiscal year ended Dec. 31, Gray Drug Fair reported operating income of $13.9 million on sales of $540.6 million, compared to a pro forma loss on sales of $508 million in the prior year.

Drug Fair's share of the mid-Atlantic market, Towle said, also inched upward one point to 24% last year, vs. 26% for Peoples and 22% for Dart.

Fashion departments close

Under the direction of GDF merchandising vp Harry Steck, Fashion Fair departments in more than 100 Drug Fair stores were closed last year, primarily because their soft lines mix failed to reflect GDF's new emphasis on core drug store merchandise.

Though at one time successful, profits from the Fashion Fair departments had declined considerably in recent years.

Al Towle
Gray Drug Fair

All but a handful of the 30-odd soda fountains and/or cafeterias in Drug Fair stores have also been closed (see related story).

Up to 60 Drug Fair stores, many of them up to 25,000 sq. ft. in size, will be "walled off" and remodeled during the coming year to conform with GDF's new Atlantic region prototype. That prototype, an 8,000- to 14,000-sq.-ft. model featuring a strong "departmental" presentation in cosmetics, health and beauty aids, greeting cards and seasonal merchandise, is already in place in seven Richmond, Va.-area Drug Way stores, acquired by GDF last year.

"Easier to shop"

"We want to make all of our stores easier to shop," Towle said, "so we're bringing everything together into key departments. Drug Fair, it seems, had the right merchandise mix. But their four-corner presentation made the stores difficult to shop." (Remodeled Gray stores in the Northern region will also receive greater emphasis on departmentalization to make the shopping experience easier.)

When completed, this year's remodeling program will reduce most Drug Fair stores 14,000 sq. ft. to 16,000 sq. ft. Sherwin Williams is expected to open up to 15 retail paint outlets in space formerly occupied by the larger Drug Fair stores.

Stability has also been restored to Drug Fair's 30 Baltimore-area Drug Fair stores, where a major price-slashing campaign announced by former Gray management resulted in a sizable "false inventory buildup," Towle said. "We have restructed the markup process in those stores so that we are once again operating on a competitive basis—rather than trying to be the lowest guy in town."

In addition, the out-of-stock problems that have plagued

Continued on page 145

News in brief

Thrifty splits stock 2-for-1

LOS ANGELES—Thrifty Corp. directors voted a 2-for-1 split of the company's 9,956,217 outstanding common shares. The distribution of the stock will be made June 10 to shareholders of record at the close of business May 10. Thrifty believes the action will result in broader distribution and greater marketability of its common stock among investors. When the split takes place, each share that was outstanding in 1947 will be equal to 48 shares.

Boyle joins Eckerd as finance chief

CLEARWATER, Fla.—The Jack Eckerd Corp. has named John W. Boyle as senior vp of finance and administration.

Boyle had been chairman and chief administrative officer of The May Department Store Co. and had been responsible for finance and audit, operations and data processing, research and planning and legal affairs.

Boyle joined May in 1972 as an executive vp and controller and as a member of the board of directors. He was previously a partner with Arthur Anderson & Co., where he developed programs for the retail industry.

Stewart Turley, chairman and president of Jack Eckerd Corp., said, "Boyle brings a solid and broad experience in retailing which will be valuable to our company's continued growth."

Family Centers HQ moves to Fla.

MONTVALE, N.J.—A&P's Family Centers subsidiary will move its headquarters from Atlanta to Clearwater, Fla., to be closer to the concentration of Family Mart food/drug combination stores operated by the subsidiary on Florida's west coast.

"The majority of our Family Mart stores are in the Tampa, St. Pete area," said Michael Rourke, A&P's vp of communications and corporate affairs. The shift from Atlanta to the new site, which is tentatively set for June, will involve 25 to 30 headquarters personnel, according to Rourke.

The Family Centers subsidiary operates 22 Family Mart combos in Florida, South Carolina, North Carolina, Georgia and Alabama.

Garrett Chock Full o'Nuts president

NEW YORK—Gordon M. Garrett, formerly vp marketing for the Eckerd Drug Company, has been named president of The Chock Full o'Nuts Corporation.

Garrett, 46, was a member of Eckerd's management board for one and one-half years. Prior to that, he was president of the household division of the American Cyanamid Company .

Nostalgia Quiz #24 winner chosen

John Leiter of Hook Drugs in Columbia City, Ind., is the winner of $100 in *Drug Store News'* Nostalgia Quiz #24. The correct answer was Pay Less Drug, Oakland, Calif.

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Bergen Brunswig regional insert, pages 24A-24D
Vol. 5, No. 11 May 16, 1983

Gray Drug Fair ends era as fountains close

ALEXANDRIA, Va.—Reinforcing its new emphasis on core drug store merchandise, Gray Drug Fair has closed all but five of the soda fountains formerly operated in D.C.-area Drug Fair stores.

"These operations are a distraction from the mainstream of our business, and they do not fit into our strategy for reinforcing core drug store merchandise," Atlantic region vp Gary Hansen said.

At the close of fiscal 1982, all but eight of the 30-odd fountains operated by Drug Fair when it was acquired by Gray in May1981 had been closed. Since the first of the year, three additional fountains have closed.

Late last year, Gray Drug Fair closed the Fashion Fair apparel departments in more than 100 Drug Fair stores, freeing up additional space for basic drug store merchandise items. In certain stores, the former Fashion Fair departments are being remodeled and sublet as freestanding retail shops. A yarn shop recently opened in space formerly occupied by one Fashion Fair department.

Most of the space formerly used for soda fountains will be remerchandised with expanded health and beauty aids sections. Remaining fountain units will be reviewed by Gray Drug Fair management on a unit-buy-unit basis to determine whether they should be continued.

In contrast with Gray Drug Fair, Peoples Drug still sees soda fountains as a viable part of many of its Washington, D.C. area stores. The Alexandria, Va.-based chain operates fountains in 66 D.C. area stores and in two Atlanta-area Lane drug stores.

"We are really quite pleased with the sales and profitability of our soda fountains," sr. vp for operations Nicholas Simon told *Drug Store News*. "We are not planning to make any wholesale cutbacks with our fountain operations whatsoever."

Although Peoples has no plans to open additional fountains, the significant store traffic that existing units create more than justify their existence, he said.

Walgreens begins shipping from new Flagstaff warehouse

FLAGSTAFF, Ariz.—Walgreens has begun shipping merchandise to 135 stores out of its newest warehouse, a 200,000-sq.-ft. facility here.

The state-of-the-art center, the chain's seventh, serves five rapidly growing Southwest states. The warehouse makes its debut a year after the opening of a 350,000-sq-ft. facility in Windsor, Wis. Walgreens also has centers in Memphis, Denver, Houston, Orlando, Fla., and Berkeley, Ill.

"Our highly automated and computerized distribution centers," President Fred F. Canning, said, "are enabling broader warehouse stocking to provide better store service at lower costs."

Currently, about 72% of all mechandise is shipped from the chain's warehouses, and the goal is to hit 80%.

Walgreen's network of distribution systems is considered one of the most efficient in the industry. At the Memphis, Orlando, Windsor and Flagstaff sites there are computerized pickers, laser beam scanners that read, sort and divert up to 70 cases per minute, a post billing system and a sortation operation that handles several orders simultaneously.

One example of the efficiency of a Walgreens warehouse is that less-than-case-load shipments can be handled at a rate of 900 items per hour vs. the 110 per hour limit of humans.

Walgreens, to date, has sunk about $43 million into its distribution systems and, in 1984, the chain will begin upgrading its older facilities. The concentration of the distribution network has paid off; distribution costs are down 25% in the past few years, according to Canning.

Plus, an entire day has been sliced out of the store order time and store order turnaround has been reduced to three days for over half of the chain's 800¢ units. What this means, Canning explained, is faster turnover of merchandise and better profitability.

Show buyers try to keep up with phone trend

Morton and Carol Rosenberg conversed with Cunningham's Ray Shapero during the reception held in the ballroom of the hotel.

Also attending the combined buying show were Ralph Leonard of Tasco and Bud Perfit, president of Eckerd Drug.

Bob Begley of Begley Drug was one of the many drug store retailers attending the show. Begley is shown with Patti Latter of Scentex Inc.

NEW YORK—Telephones were the hot topic of conversation at the recent Associated and Affiliated spring buying show as drug retailers sought to stock up on supplies in answer to the rapidly growing consumer demand.

In the headquarters room of the Associated Chain Drug Stores, a display of some of the fastest moving advertised items from the first three months of the year submitted by member chains included a one-piece telephone. The chain which submitted it, L. F. Widmann, said it sold 1,100 pieces at $14.88 each.

Clarence Fain, vp of merchandising and fixturing at Begley Drugs, said a recent ad promoting a cordless telephone clock-radio was so successful the chain had to issue rainchecks.

In the hallways and in the exhibitors' rooms, the talk centered around telephones. At the rate telephones have sold, retailers question whether or not they will be able to keep enough in stock.

"One of the biggest problems has been that manufacturers are not shipping phones to meet demand," said Sally Hayes, a buyer for Sentry Drugs.

One-piece phones and the more expensive cordless telephone clock-radios were moving very well, according to many retailers. Most retailers expect the cordless telephone category to explode over the next few years. However, there was concern expressed at the show by retailers and suppliers that shortages of raw materials used in the manufacturing of telephones will be a major problem throughout the remainder of the year.

Generally, the mood at the show was positive. Several retailers said they were impressed with some of the merchandise brought by new vendors, particularly import products. The combined shows featured a total of 110 exhibitors and 83 drug chains.

"It was a successful show," said Phil Weinstein, president and general manager of Affiliated Drug Stores. "The optimism shown there was a complete change from a year ago."

"There was definitely an upbeat mood from the suppliers' and from the buyers' points of view," said Ira Shain, president of Associated Chain Drug Stores. "There were orders

Continued on page 142

Joe Pedott poses with Ron Erickson of Pay 'n Save and Al Towle of Gray Drug Fair.

Associated's president Ira Shain and his wife Sylvia discussed the show with Jim Muir, of Muir Drug.

TV ads used to counter bad economy

NEW YORK—Drug chains in 1982 seemed to adhere to the age-old advertising adage stating that companies should increase advertising budgets in poor economic times to retain market shares.

Last year, drug stores spent $45 million for local TV advertising, a 34% increase from 1981, according to figures from the Television Bureau of Advertising.

Among the retail drug industry's largest chains, Eckerd continues to be the biggest electronic advertiser. In 1982, the chain spent $11 million in TV time, up 40% from the $8 million it spent the year before.

However, the biggest percentage gain in TV advertising dollars in this category was made by the Dallas-based Page Drugs, which increased its budget by a whopping 436% to almost $1 million. In 1981, Page spent $180,200 in TV time.

Walgreens, reflecting a broader advertising strategy, increased its TV ad budget 380% in 1982. The chain spent $2.2 million last year, compared to $456,900 in 1981.

According to Vern Brunner, senior vp, marketing, Walgreens is "expanding the focus" of its advertising.

"Although our major advertising commitment remains with newspapers, electronic media advertising will grow in importance in 1983-84," Brunner said.

Another major drug chain which placed a greater emphasis on television last year was Thrift Drugs, spending 130% more than it did in 1981. Thrift's total TV advertising expenditures were $1.6 million in 1982.

Other significant increases in TV advertising budgets last year were made by Skagg's, which boosted its TV buys 96% from $654,700 to $1.3 million; Peoples, up 67% to $1.7 million; Sav-On, a 54% increase to 1.1 million, and Osco, which upped its local TV budget 43% to $1.1 million.

Two chains which rank among the top 15 in size of their TV advertising budgets but which cut back on TV ads last year were Revco and Hook Drugs. Revco, which trimmed its TV ad budget in 1981 by 16%, last year reduced it by an

Continued on page 146

Top 15 Drug Chain Local Television Advertisers 1982

Chain	1982	% Change
1. Eckerd	$11,092,900	+ 40
2. Thrifty	3,518,200	+ 18
3. Revco	3,271,900	− 20
4. Walgreen	2,195,400	+380
5. CVS	1,914,300	+ 20
6. Peoples	1,714,400	+ 67
7. Long's	1,689,500	+ 8
8. Pay 'n Save	1,683,200	+ 24
9. Thrift	1,566,700	+130
10. Skagg's	1,285,100	+ 96
11. Hook	1,140,900	− 6
12. Genovese	1,114,300	+ 8
13. Osco	1,093,800	+ 43
14. Sav-On	1,079,500	+ 54
15. Page	965,000	+436

Source: Television Bureau of Advertising

Perry enters deep-discount competition with A. L. Price

DEARBORN, Mich.—Perry Drug Store's newest venture, a deep-discount unit called A. L. Price (Always Low Price), will be pitted against a new F&M low-margin outlet scheduled to open just two doors away.

Following plans by the 10-store F&M chain to open a new unit here, Perry quickly converted an existing 17,700-sq.-ft. store. Although the store was never closed, it took on a new decor with the austere, off-price retailing look. Prices at A. L. Price (Always Low Price) were slashed as much as 50% to be competitive.

Rather than operate from Perry's headquarters in Pontiac, Mich., the chain plans to station a buyer in the store. This departure from the chain style of operating will allow Price to strike good deals as

Continued on page 142

Fantle outlines settlement in Schering-Plough lawsuit

ALEXANDRIA, Va.—Peoples Drug has agreed to destroy remaining stocks of its private label chlorpheniramine maleate allergy tablets and reintroduce the product with new package colors in response to Schering-Plough's lawsuit charging trademark infringement of the firm's Chlor-Trimeton tablets. Peoples markets the product under the name Pharma-Clor.

A similar suit filed against Rite Aid of Pennsylvania is still pending, and the chain refused to comment on the suit's status.

In a letter to Schering-Plough's pharamaceutical division president, People's president Sheldon Fantle set down terms of a settlement, explaining that "as of this date (March 24), we have approximately 200 dozen finished goods in the warehouse and stores of the current package. This should take approximately 120 days to sell through. Whatever goods are remaining after that time will be destroyed."

Fantle also proposed the new packages of the chain's private label product would use a green and blue color design to distinguish it from Schering's. The original Peoples Pharma-Chlor package used the same green and white package colors as the brand name product.

Schering agreed to settle.

People-oriented Panasci sees 'no reason to change'

Continued from page 1

tivities at NACDS, it's going to be a busy year for me," he said. "But with the confidence I have have in our staff and employees, it's something I'm looking forward to greatly."

In an interview with *Drug Store News*, just prior to the association's gala 50th anniversary convention, Panasci predicted few changes for NACDS under his leadership.

"Basically, I think it will be a year of more of the same types of things we've seen in the past," he said. "My predecessors, along with Bob Bolger and his staff, have really done a great job in developing this organization into what it is today. There's certainly no reason to change a good thing."

Pharmacy issues a priority

However, pharmacy issues and the need to involve more small chains in NACDS activities will be major priorities during the year, he said.

Panasci believes his background as a registered pharmacist will add further credibility to the association's political and legislative endeavors during the next 12 months.

"Certainly a registered pharmacist who is the chief executive officer of a major drug store chain has more credibility testifying before a Congressional committee on pure pharmacy issues than does a nonpharmacist," he said. "This, I hope, will be one of my major contributions to NACDS this year."

Crimes against pharmacists, copay provisions of new Health Care Finance Administration regulations and model legislation for the computerization of Rx reimbursement programs at the state level are among key pharmacy issues Panasci expects to address during the coming year.

In addition, Panasci said he hopes to reinforce NACDS' commitment to working with other pharmacy-related groups and associations for the betterment of the entire industry.

The shift in health care regulations from the Federal to state level under the Reagan Administration also reinforces the need for cooperation between NACDS and state and regional pharmaceutical groups, he said.

Panasci wholeheartedly endorses NACDS' preliminary investigation of an annual trade show to better serve existing and potential member chains.

"Many chains, both large and small," he said, "do not now belong to the Associated or Affiliated groups, and do not attend NACDS' annual merchandising, cosmetics or pharmaceutical conferences. I definitely think a trade show is feasible for NACDS, and I think it can be done without damaging the important role both Associated and Affiliated groups now play. A trade show is an income-producing event that should probably be considered by every association."

Panasci, who founded the first Fay's Drug store 25 years ago in the Syracuse suburb of Fairmount, predicts an extremely bright future for drug store chains, especially small, regional chains.

"This is still a very growth-oriented industry," he said, "and I see several good years ahead before it really becomes mature.

Computers score A+ in Eckerd Drug test

Continued from page 1

are expected as the market matures. Eckerd eventually expects to reap $3 in software sales for each $1 in hardware sales.

And Eckerd expects the market to continue to grow. In 1982, home computers generated $1.2 billion in sales, a figure that is expected to reach $6 billion by 1985. In 1982, the consumer market grew 20%.

In Houston, the software market turned out to be seasonal, with the household budget program especially popular before income taxes were due.

Also popular was the Munch Man game cartridge. Educational software for older students were more popular than cartridges directed at preschool age youngsters.

The profile developed by Eckerd of the typical computer consumer is a person who is married, 43 years old, lives in the suburbs and has a family income of at least $23,000.

However, the 30- to 39-age group accounted for 42% of the business.

The demographics broke down this way: 91% were married, 86% had family incomes of $20,000 and an average of two children, 26% had home video systems, 22% owned video cassette recorders and 2% owned video disk systems.

The home computer systems were in 3- to 4-ft. displays in the front of the stores. "The displays sold themselves," said one Eckerd executive.

Eckerd is taking advantage of Texas Instruments' mobile trainers, who go over various aspects of the computer business with Eckerd's front-end clerks and assistant managers.

The Texas Instruments trainers call on every store carrying the product.

The manufacturer also has an 800 telephone number displayed at the point-of-purchase that customers can dial if they have questions about the computers.

Convenience foods to debut at Pay 'n Save

Continued from page 1

as milk and eggs, meat, frozen foods, snack products and dry groceries. Erickson characterized the assortment as "7-Eleven-type."

At presstime, neither an advertising campaign to launch the department nor what it will be called had been finalized. After the meeting chairman M. Lamont Bean quipped to *Drug Store News* that if he didn't choose a name shortly, he was worried they might be called "Monte's Market."

Bean outlined for *DrSN* the purpose of the test: "This is not an attempt to get back at the supermarkets. It is an attempt to organize our grocery items which currently don't have specific shelf space." Ultimately, he said, the departments are expected to generate increased store traffic.

The expanded food program marks the debut of beer and wine sales in Pay 'n Save's Washington stores, although alcoholic beverages have been sold in the chain's California and Hawaii stores for several years. Bean asserted that beer and wine sales "are an integral part of the whole concept."

Erickson noted the test stores had extra floor space, and so it was unnecessary to eliminate any sku's or change layout to launch the program.

Chains use ads to beat economy

Continued from page 7

additional 20% from $4.1 million to $3.27 million. Hook's TV expenditures were down 6% from $1.2 million to $1.1 million.

Thrifty, which spends the second highest amount behind Eckerd, increased its TV advertising 18% from $2.9 million to $3.5 million. CVS, ranked fifth in TV advertising, allocated $2.2 million last year, up 20% from the $1.6 million it spent in 1981.

Collectively, the top 15 drug chain TV advertisers spent $35 million in 1982, a jump of 35% over 1981. Together, they account for more than 75% of the total amount of advertising dollars spent by drug chains.

Newspaper inserts and direct-mail circulars continue to be the most widely used forms of advertising by most drug retailers.

Stock Blairex.
The reason is perfectly clear.
It's perfectly clear why you should stock Blairex hard lens cleaner. It's the perfectly clear way Blairex cleans. There's no better cleaner on the market. Blairex quickly and easily cuts through the stubborn residue the others leave behind. Like finger oil, make-up, hair spray and salt. In fact, we're so confident that Blairex is better, we guarantee it on every package. If your customers are ever less than 100% satisfied, we'll refund the entire purchase price. No questions asked.
Here's another clear reason to stock Blairex.
Now when you place an order for a dozen bottles of Blairex hard lens cleaner, we'll send you 24 sample-size tubes FREE. It's the perfect way to introduce your customers to the Blairex difference.
Blairex hard lens cleaner. It's clearly better.
BLAIREX®
HARD CONTACT LENS CLEANER
60 cc/2 oz.
To order contact your wholesaler or call TOLL FREE 1-800-457-5787 or write:
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PHARMACY

Rxman bonuses keyed to duties, performance

NEW YORK—How do directors of pharmaceutical services motivate pharmacists who aren't interested in moving up the management ladder to become store managers?

Exccutives from some of the nation's largest drug chains are grappling with just such a question in an effort to decrease staff turnover, improve morale and increase productivity.

To find out what solutions are most effective, *Drug Store News* contacted chain executives within the drug store industry.

Although those interviewed did not want to be quoted, a great deal of background information was compiled on different types of bonus arrangements offered by chains. And it was determined that the retail drug industry uses a wide variety of reimbursement techniques to sweeten pharmacists' compensation.

One common attribute that virtually all such programs have is a link between performance and payment. Or as one director stated, "We know what needs to be accomplished, so we gear our bonuses to achieve those goals."

Previous surveys revealed approximately 50% of all retail pharmacists receive some form of bonus. But such arrangements almost always focus on the attainment of specific objectives—sales volume, gross profit maintenance, operating profit percentage and payroll hours.

Generally, two types of bonus plans are offered by those drug chains which grant employee pharmacists a bonus program. And each type hinges on pharmacists' responsibilities or performance.

For example, pharmacists with responsibility outside the prescription department—for OTC drug departments for example—may receive a bonus that is linked to the department's sales, gross profit and operating profit. Under such a program, inventory control and shrink become extremely important to the pharmacist, since both affect the gross profit and operating profit components of the bonus plan.

Other chains add a different wrinkle to their programs. Personnel payroll hours required to operate the department are budgeted by week, and bonus amounts are calculated when the department's payroll remains within preassigned budgeted parameters.

For example, if payroll hours were to exceed 10% of a budgeted amount without a corresponding increase in sales, then that component of the bonus plan would be forfeited. If payroll hours exceeded 5% of some budgeted number of hours, then 25% of a portion of the bonus would be reimbursed. But if payroll hours were right on budget, perhaps 50% of the bonus would be paid.

Other chains' bonus programs are based strictly on productivity. Pharmacists working in the busiest prescription departments receive correspondingly larger bonuses than their counterparts in less hectic settings. This is perhaps the easiest system to administer, but it doesn't provide incentives for improved inventory control or payroll hours. In fact, it provides an incentive to stock as much inventory as possible.

This bonus program may also provide a minimum bonus payment as a baseline or guarantee, say, $10 to $20 a week. If a pharmacy's prescription volume suddenly spurts ahead, pharmacists' bonuses are reviewed and upgraded on a quarterly basis.

Under the terms of this program, pharmacists receive their bonuses as a flat percentage of script volume.

Michigan Rx survey: salaries up

LANSING, Mich.—Despite hard economic times, pharmacists in Michigan enjoyed higher salaries last year, but the growth was not evenly distributed among chain, community and hospital pharmacists.

That's the conclusion of the 14th annual salary survey conducted by the Michigan Pharmacists Association among all licensed practicing pharmacists in the state.

The survey was completed by 700 pharmacists (a 10% response rate) during December 1982.

Overall, chain pharmacists reported a 3% gain in weekly base pay, from $503 in 1981 to $518 in 1982. During the same period, community and hospital pharmacists' average base salary advanced 2% (to $463) and 7% (to $591), respectively.

Directors of hospital pharmacy departments were the primary beneficiaries of increased weekly wages. They recorded the largest average weekly salary advances and the greatest percentage gain of any pharmacists. Salaries for hospital pharmacy directors advanced 9% to an average of $658 per week, while their staffers averaged $560 for a gain of 6% over last year.

Staffers at chain pharmacies received $495, up 4%, and managers of chain pharmacy departments received $543 for an advance of 2%.

Community pharmacists, on the other hand, averaged $441 per week and reported no increase in pay over 1981. But pharmacist managers of community outlets reported a 7% gain, to $521 per week.

Overtime compensation—either time-and-a-half, comp time (time off), hourly pay (straight time), or some other form of compensation was reported for 73% of the overall sample.

A base salary adjusted for cost of living was noted by 27% of the sample.

According to MPA, the survey indicates that job stability tends to be rewarded.

Reimbursement varies by practice setting

	Chain		Commmunity		Hospital	
	Avg. salary	Avg. hours	Avg. salary	Avg. hours	Avg. salary	Avg. hours
Total	$518	42.1	$463	41.3	$591	40.2
• Manager/ director	543	42.6	521	42.4	658	40.4
• Staff	495	41.6	441	40.7	560	40.0

Source: MPA annual salary survey

TINACTIN® IS THE MOST RECOMMENDED ATHLETE'S FOOT REMEDY.
Since its conversion from Rx to OTC status, Tinactin has become the number one recommendation of doctors, podiatrists and especially pharmacists like you.
Tinactin is the one that has proven itself time and time again. It not only kills the fungi that cause athlete's foot, but does so without irritation. Tinactin relieves painful burning, itching and soreness within 24 hours. And Tinactin Powder contains the only ingredient clinically proven to prevent reinfection with daily use.
So, recommend the athlete's foot remedy that has stood the test of time year after year, foot after foot—Tinactin.
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Tinactin ANTIFUNGAL CREAM
Tinactin ANTIFUNGAL SOLUTION
10ml (1/3 fluid ounce)
Tinactin Antifungal Powder AEROSOL
Tinactin Antifungal LIQUID AEROSOL

DRUG STORE NEWS

Rx

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Chains vault economic barriers

The faltering economy tested drug chains severely in 1982 but they emerged from the year in much better shape than they entered it.

The pitfalls envisioned at the outset were neatly sidestepped, and a year-end totaling showed chain sales up and profits up even more.

How did they manage? How were drug chains able to post a 9.9% sales increase, while other classes of retailers struggled to produce smaller advances? And how were they able to produce such impressive earnings gains?

They got tough.

Here is what Sheldon Fantle, president and ceo of Peoples Drug Stores, had to say at the beginning of the year when prospects were looking a little bleak for the industry.

"This will be a year of refinement—a year in which we must perform our functions more effectively and more efficiently than ever before. We must be lean and mean and respond to the times in which we are living."

Revco was another example of a chain that "responded to the times." Early in the year, president and ceo (now chairman) Sidney Dworkin sent a personal letter to each of the chain's 1,570 store managers, asking them to shave operating costs by $10 a day. Dworkin told the managers that the company had to control and reduce costs to support its ambitious growth plans that called for 2,300 stores and $3 billion in sales by 1966.

"We are going to have to look harder for ways to do things better for less," he wrote. "On the

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1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Austerity programs help chains give

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average retailers like Revco need to generate $35 in sales to make $1 of profit."

It wasn't only the industry giants that responded to the economic climate. Small chains caught the fever too. They trimmed employee hours to save overtime pay; they retrofitted stores with energy-saving devices that monitor lighting and air-conditioning, and they reduced inventories and pared the number of individual product sizes to those that sold best.

Inventory control, in fact, became an industry byword in 1982. A survey of chains in the first half of the year showed inventory stock levels had been cut by as much as 25% as retailers fine-tuned their merchandise mix to increase turnover and return on investment. For many of them, inventory reduction meant a three-tiered program involving better use of computer data, making minor alterations in store fixtures (such as shortening pegs to allow less merchandise), and repeatedly driving home the message at managers' meeting of the importance of keeping inventories lean.

In addition, chains were generally much less aggressive in their acquisitions and store openings, preferring instead to concentrate efforts on existing markets and stores. One example was Walgreens.

The two top executives, Charles Walgreen III and Fred Canning, talked about strategies in their efforts to reach $3 billion in sales by 1985. Three strategies stood out: Strengthening existing markets, aggressive remodeling of older stores and quality acquisitions, such as the four-store Sullivans chain in Longmont, Colo.

What all the efforts led to was a stellar year for most drug chains, and the results were recognized by

Ten years of chain drug growth

Year	Chain drug sales (in billions)	Nonchain drug sales (in billions)	Total drug sales (in billions)	Chain drug gain	Chain drug share of market	No. of chain drug units	Average sales per chain unit
1982	$28.66	$7.19	$35.85	+ 9.9%	79.9%	20,225	$1,406,720
1981	26.08	7.51	33.59	+11.7	77.6	19,981	1,305,340
1980	23.35	7.26	30.61	+14.8	76.3	19,251	1,213,050
1979	20.34	7.83	28.17	+14.3	72.2	19,764	1,029,300
1978	17.79	7.59	25.38	+13.6	70.1	19,290	922,350
1977	15.66	7.26	22.92	+12.5	68.3	19,221	814,734
1976	13.92	7.19	21.11	+12 2	65.9	18,857	738,187
1975	12.41	7.00	19.41	+13.3	63.9	18,609	666,882
1974	10.95	7.25	18.20	+13.8	60.2	18,192	601,912
1973	9.62	7.20	16.82	+10.2	57.2	18,073	532,285

Source: *Drug Store News* survey, U.S. Dept. of Commerce

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1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

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recession the one-two punch

outside investors, who pushed up the average chain drug stock by 70% during the year.

The biggest stock gain was turned in by Fay's, which rose from $6.25 at the beginning of the year to $25.25 at the end, an increase of 304%. (It has continued to advance.)

Not coincidentally, Fay's had an outstanding sales and earnings performance as well. The Liverpool, N.Y.-based chain reported a 78% income gain on a sales advance of 14%. The sterling results set the tone for the opening of the chain's silver anniversary year.

Walgreens was another company whose stock price was driven upward by outstanding gains in sales and earnings. During the year, the Deerfield, Ill.-based chain realized an increase of 131% in the price of its stock, as sales advanced 17% to just over $2 billion and income rose 33% to $56 million. In Walgreens' case, 1982's performance was just a case of continuing the job it had been doing all along. Walgreens' earnings have shown a compound growth rate of 23% over the past five years.

American Stores, Adams and Genovese were the other chains whose stock increased more than 100% in value during the year. For these chains, too, stock gains were closely keyed to earnings performance. American Stores' net earnings increased 40%, Adams's rose 33%, and Genovese's was up 48%.

In overall performance, chain sales increased 9.9% to $28.66 billion. In doing so, chains increased their share of the total drug store market to 79.9%. Average sales per chain drug unit advanced 7.8% to $1.4 million as the number of chain drug stores increased to 20,225.

In contrast, a decade ago a chain drug store industry consisting of 18,073 stores rang up sales of $9.62 billion to control 57% of total drug store volume.

Two chains, Pay 'n Save and Shoppers Drug Mart, joined the not-so-exclusive billionaire's club last year, and two others, Eckerd and Walgreens, went over the $2 billion mark.

Drug chain executives characterize 1982 as the year that cash flow and the bottom line took on added importance. As a result, a go-go expansion policy evident in prior years changed dramatically. A go-slow strategy coupled with added concern for increased productivity and profitability became the watchword adopted by chain management.

Toward that end mergers and acquisitions slowed to a trickle (331 units changed hands) vis-a-vis much larger numbers in previous years; new store openings totaled 778 units as the cost of shopping center development increased, and 243 marginal outlets were closed as management moved to increase efficiencies in selected markets.

Consolidating and strengthening market position via piecemeal acquisitions in areas of predominance, as well as remodeling existing units played key roles in chain execs' strategies during 1982.

For the first time in recent years, the number of stores remodeled—508—far outdistanced those acquired through merger or buyouts.

But more than new color motifs resulted from these remodelings. Chain execs eyed upgraded departments designed to increase the amount of an average transaction. More national brands, fuller facings, and wider assortments of merchandise were stocked.

Dart Drug and Thrifty are two prime examples of chains that widened their overall lines. Both firms now include books (Crown Books) and auto supplies (Trak Auto) in their mix.

Chains also took a long hard look at units and departments which didn't make a contribution to the bottom line. The result: 243 outlets were closed during 1982.

Remodelings also included the installation of automated equipment designed to increase productivity. Chains increasingly installed optical scanners at their checkouts, computers in their pharmacy departments, and automated order processing equipment in their warehouses.

For example, Revco, Peoples, Hooks, CVS, and Adams Drug Stores continue experimenting with scanners. These supermarket-like, laser POS units, provide up-to-date detailed product movement reports and analyses so chain management can make timely go, no go decisions about products and stock control.

In addition to pharmacy comput-

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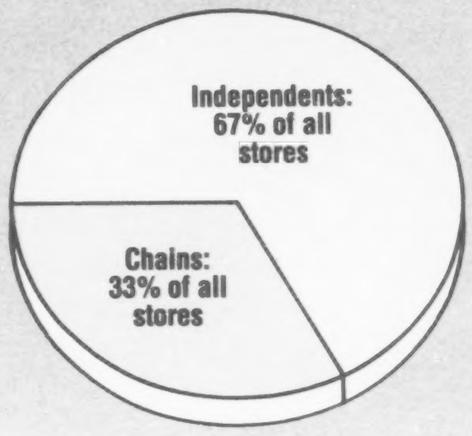
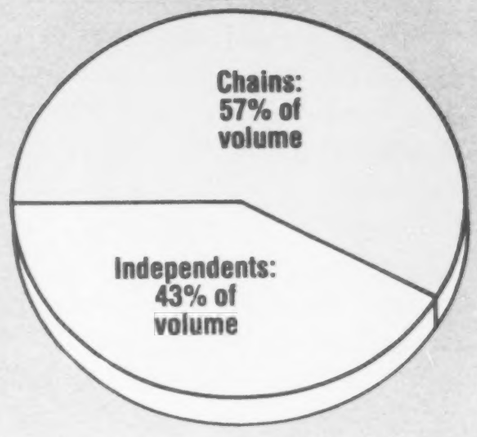
Chains tighten grip on retail drug market

Total units: 53,475

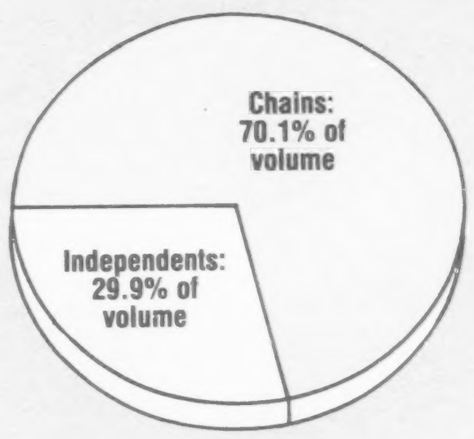


Combined volume: $15.33 billion

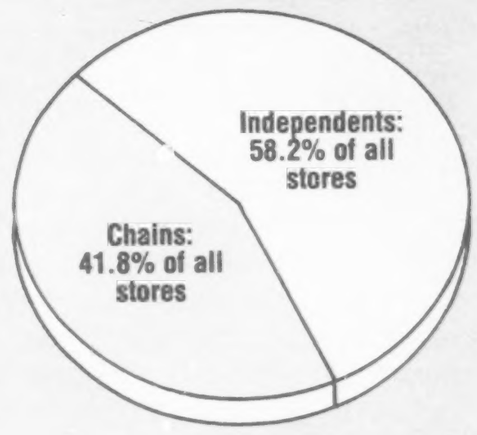


1972 Drug Chains accounted for 57% of all drug volume with only 33% of all stores a decade ago.

Total units: 46,000

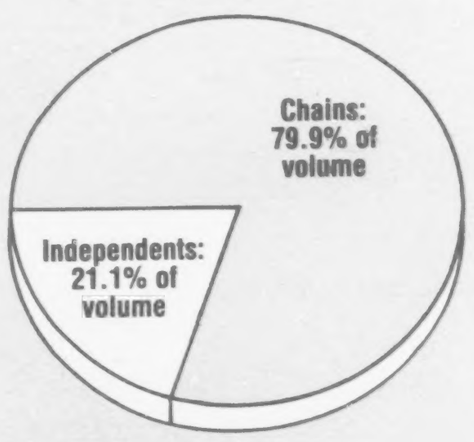


Combined volume: $22.35 billion



1977 Five years later, chains accounted for 41.8% of all stores, but 70.1% of retail drug sales.

Total units: 44,550

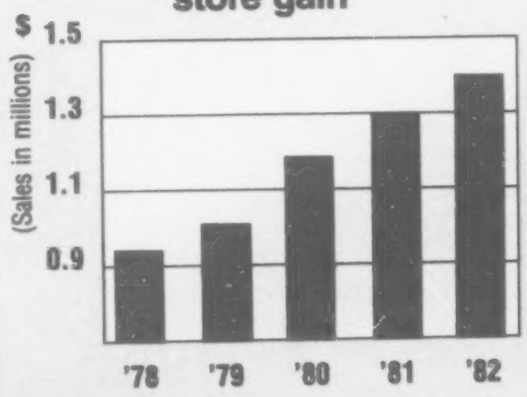


Combined volume: $35.85 billion

Source: *Drug Store News* survey

1982 Last year, chains increased their grip on the market with 79.9% of all drug sales and 45% of total store count.

Sales per average chain store gain



Source: Drug Store News

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1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Execs bench merger game plans

Continued from page 57

ers, other automated equipment is capable of providing electronic payroll reporting, handling mail from headquarters, managing energy and added security.

Chains followed a go-slow, backfill acquisition strategy during the year, a far cry from the numbers recorded in previous periods.

During 1981, ownership of more than 1,000 drug stores changed hands as firms jumped into new markets scattered across the country. But the economy and Reaganomics forced execs to assume a different posture during the past year.

Large and medium size chains such as Eckerd, Thrift, Rite-Aid, Perry, Gray Drug Fair, SupeRx, Medicare Glaser, and Big B each acquired from two to 40 drug units. And the majority of these acquisitions centered on units in or near each chain's existing markets.

Thrift Drug's sale of approximately 20 stores in the Philadelphia, New Jersey, and Maryland areas to Eckerd, and Eckerd's concurrent acquisition of nearly 20 Thrift units in the Tennessee and North Carolina markets represented an example of this strategy.

Rite-Aid acquired 21-store Lomark in Ohio along with the 5-store Cochran and K&H chains. And SupeRx purchased 13-store Illinois Thrifty.

Medicare Glaser acquired two former Osco stores in Missouri, and Big B purchased four Jones Brothers' units in southern Mississippi.

Virtually all these acquisitions were close to the purchaser's home base or in markets where they have more than a toehold.

A number of factors made this strategy near perfect to increase return on the bottom line. Economies of scale, notably in terms of advertising and distribution costs, within each market helped lower the incremental cost of operating a larger number of stores within each designated geographical location.

As an added bonus, leases of many acquired stores are relatively less expensive than the cost of new construction. With interest rates at their highest levels in history during the first eight months of 1982, a void was created in new real estate development. Therefore, an acquisition program with limited objectives represented the most feasible way to expand during what started as a very tight year.

About this issue

The 1983 Annual Report of the Chain Drug Industry is primarily based on four sources: a *Drug Store News* survey of companies operating 12,039 chain drug stores, *Chain Store Guide's* annual survey of chain drug companies, the U.S. Dept. of Commerce and company annual reports.

In compiling the statistics, *Drug Store News* has made some minor adjustments in sales figures to reflect recently published changes by the Commerce Dept.

Finally, the statistics reflect the fact that *Drug Store News'* definition of a chain is one that operates two or more stores.

Opening and remodeling activity—1982

Chain	Openings	Remodelings
A. D. Clark	1	0
Adams	14	43
Arbor	2	2
Begley	3	3
Big B†	14	3
Big V	5	5
Boots	7	2
Carls	0	19
CVS	45	NA
Duane Reade	2	NA
Dunaway	1	2
Eckerd†*	123	NA
Fay's†	8	12
Genovese	5	6
Gray Drug Fair	11	60
Harco	1	5
Hook	16	14
Kerr	2	0
Kinney	2	3
LaVerdiere's	1	0
L. F. Widmann	4	6
Longs†	12	2
Medicare-Glaser	5	7
Medi Mart	2	4
Medicine Shoppe Int'l	40	25
Muir	0	7
Page	5	5
Pay 'n Save	14	1
Peoples†	34	44
Perry	11	19
Pharm-Escomptes	5	4
Rix	0	3
Pathmark	6	18
Pharmacity	3	1
Revco†*	70	NA
Ribordy	1	1
Rite Aid†*	117	75
Sav-On	13	2
Shoppers Drug Mart	12	NA
Snyder's	2	4
SupeRx†*	33	25
Standard	2	3
Super Drugs	7	5
Taylor	1	7
Thayer	2	0
Thrift*	36	25
Union Prescription Centers	8	2
Walgreens†	67	32
Wellby	1	2
White	6	1

†fiscal year
*includes acquisitions

Source: *Drug Store News* survey, company reports

Mergers and acquisitions in 1982

Acquiring company	Acquisition	No. of stores	Location
Rite Aid	Cochran	5	Ohio
	Mann Drug	27	North Carolina
	Lomark (incl. 3 Drug Palaces)	19	Ohio
	Circus World	128	Midwest, SE, SW
	K&H	5	Ohio
Gray Drug Fair	Cunningham	25	Ohio
	Drugway	7	Virginia
	Sims	3	Florida
	SupeRx	2	Ohio
	Shoppers Drug Mart	2	Florida
SupeRx	Illinois Thrifty	13	Illinois
	Gray Drug Fair	11	Cincinnati, Ohio
Apex	Cunningham	36	Michigan, Florida
Eckerd	Thrift	20	Tennessee, North Carolina
Thrift	Eckerd	20	Pennsylvania, New Jersey, Maryland
Perry	Gould	6	Michigan
Medicar Glaser	Osco	2	Missouri
White Drug	Star Drug Stores (Peoples)	4	Minnesota, Iowa
CVS	Lincoln Pharmacies	9	Massachusetts

Source: *Drug Store News*

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

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Chain stocks mop up on Wall Street

Chain drug stocks were the darlings of Wall Street in 1982 as Fay's led the *Drug Store News* index of the 17 largest publicly held companies to a 69.59% increase.

While Fay's increased 304% to finish the year at 25¼, up from 6¼, five other chains more than doubled.

The price-to-earnings ratio of chain drug stocks increased from 8.1 in 1981 to 12.5 last year as investors anticipated higher earnings.

"There is a little more room for expanded p/e ratios," according to Robert Roth, vp at Merrill Lynch. "We like retail stocks in general and they should do better in this period of disinflation. The recommendation is still favorable, although there are no aggressive selections now," he said.

Daniel Barry, vp and senior retail analyst with Kidder Peabody & Co., said the chain drug store stocks outperformed the industrial stocks because the recession recovery was felt first at the retail level.

This trend will continue for the next two quarters before increased profits shift from retail to manufacturing, Barry said. However, growth companies, such as many of the large drug chains, will also benefit during the second half of the year, he added.

"The current price-to-earnings ratios reflect last year's profits. They will move up as this year's profits are reported. Looking into next year, the recovery will be under way and the drug chains could do well," Barry said.

Bill Block, an analyst with Rosenkrantz and Ehrenkrantz, was also optimistic about 1983 and predicted price-to-earnings ratios of 18 to 22 for some chain drug stocks.

"There is a good increase in consumer spending, and drug stores will benefit. My forecast is also based on the Dow Jones, which will go up along with the drug stores," he said.

Last year, the Merrill Lynch drug store index increased 51.4%, which was better than the 19.6% posted by the Dow Jones Industrials and the 15% increase posted by the Standard and Poor's 400 and the New York Industrial Index.

However, the Merrill Lynch drug store index did not match the increase posted by stock brokerage firm's retail store index, which rose 72.4%.

Through the first two months of 1983, the chain drug stock index followed by Merrill Lynch increased 5.9%, slightly below the Dow Jones' increase of 6.3%. However, the Merrill Lynch drug store index exceeded the 2.8% increase of all retailers as well as the 5.5% increase posted by the Standard and Poor's 400 and the New York Industrial Index.

The 17 stocks on the *Drug Store News* Index did even better, increasing more than 20% by March 14.

Fay's continued to lead the pack, but an increase in earnings at Begley prompted the stock of the Kentucky chain to increase more than 50% in February.

On March 16, Dart increased 13 points to 48½ after a prospectus on the chain's proposal to spin off Trak Auto into a separate public company was released.

Although final Dart figures for the year ended January 1983 were not released, the prospectus showed Trak's contribution to Dart increased to $4.1 million from $2.2 million in the preceding year.

Chain drug stock performance

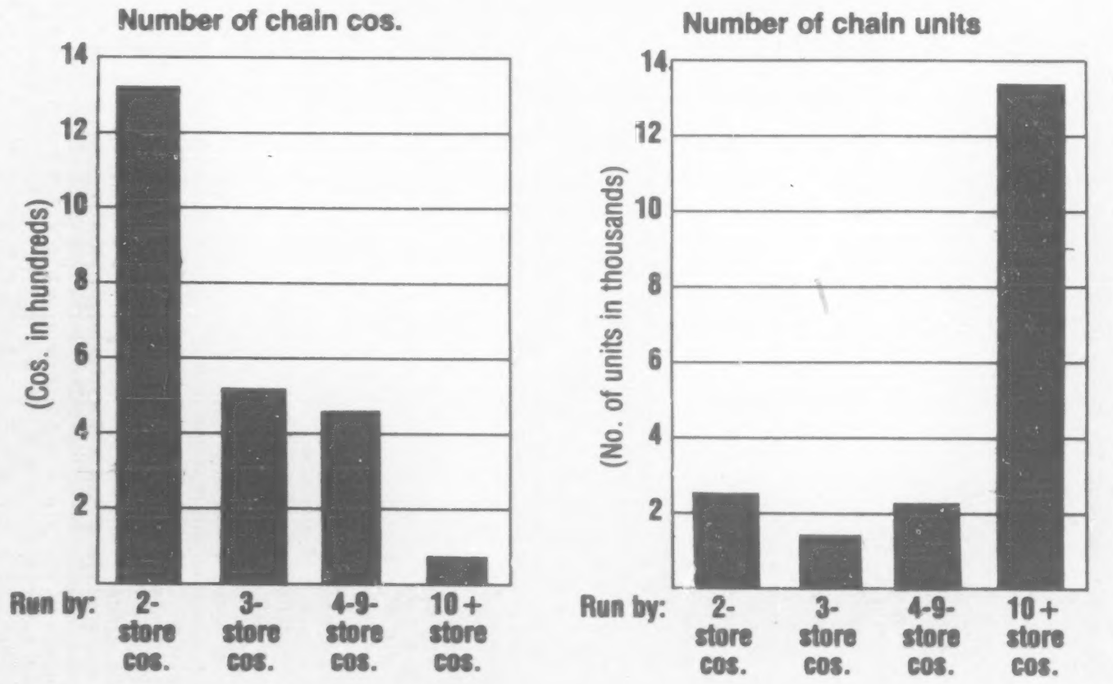
Company	1982 stock prices High	Low	Last	% change in '82	Year-end '82 P/E ratio	Year-end '81 P/E ratio	Recent price 3/14/83
Adams	10⅝	4½	9⅜	+108.3	10	6	12½
American	70	25¼	65	+120.3	10	7	75
Begley	11½	7½	10¼	+ 7.9	10	—	15
Dart	32¼	10¾	31	+150.0	11	9	35
Eckerd	28¼	17¾	24⅝	+ 1.0	14	11	28¼
Fays	30	6¼	25¼	+304.0	16	12	22¾*
Genovese	16	5¼	13⅞	+146.7	10	9	20⅞
Hook	27	16¼	24	+ 29.7	12	7	30½
Longs	47	24¾	35⅝	+ 23.4	13	10	41¾
Pay Less	30⅜	12½	28½	+ 78.1	14	9	27¼
Pay 'n Save	33¾	16½	30⅞	+ 33.5	12	8	43⅛
Peoples	29⅞	11⅝	28⅝	+ 81.1	14	7	32⅝
Perry	13⅜	8½	13	+ 15.6	12	9	17⅜
Revco	47¾	21⅜	40½	+ 67.9	15	11	45
Rite Aid	53½	27	46¼	+ 61.6	15	10	32⅞*
Thrifty	21¼	10¼	18⅝	+ 47.5	10	7	21
Walgreen	58¾	22¼	56⅛	+130.9	15	8	31¼*

*Walgreens split 2-for-1, Rite Aid split 3-for-2 and Fays split 2-for-1 between Jan. 1 and March 14.

Source: Standard & Poor's Stock Guide

Big chain market share increases

Large chains control market



Source: *Chain Store Guides*

The trend toward big-chain domination of the chain drug industry continued unabated in 1982 as the number of units operated by companies with at least 10 stores increased to 13,616—the result of new store openings and heavier activity in the small-acquisition market.

At the same time, the number of companies operating 10 or more stores fell last year to 141 from 144, maintaining the downward trend that has been going on since 1977, when the number of companies with 10 or more units stood at 171. Mergers and acquisitions have caused the decline.

Overall, the number of chain drug units reached 20,225 in 1982, a 1.2% gain over the adjusted figure of 19,981 reported for 1981.

All in all, there were 1,341 two-store drug companies last year operating 2,682 units; 529 three-store companies with 1,585 units; 469 four-to-nine-store companies operating 2,340 units, and 141 companies of 10 or more stores operating a total of 13,616 units.

In Canada, the number of chain drug stores increased 3.7% in 1982 to 1,587 from 1,529 the previous year, while the total number of chain drug companies declined to 150 from 154.

As in the United States, the increase in store count was greatest for companies operating 10 or more units. In 1982, Canadian companies running at least 10 stores had a total of 1,163 units vs. 1,112 the previous year.

On the other hand, the number of stores operated by two- and three-unit companies declined to 203 from 212 in 1981.

The number of Canadian companies with 10 or more stores declined slightly to 22 from 23 the previous year, while the number of companies with four to nine stores increased by one to 38. The number of two- and three-store companies also rose last year to 100 from 94 in 1981.

Within headquarters, the number of executives, merchandisers and buyers employed by American retail drug chains increased last year to 8,447 from 8,172 the previous year.

PERFORMANCE

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Interest drops, warehouses expand

Several drug chains took advantage of declining interest rates last year and expanded their warehouse and distribution facilities.

A number of other chains in 1982 completed the construction of new warehouses which had already been under way for some time.

In addition to the lower costs of money, drug retailers cited growing sales, higher profit margins taken by distributors, the increased dependency of their stores on their warehouses and heightened consumer demand for promotional items as reasons for the expansions.

Walgreens made its new warehouse and distribution center, in Windsor, Wis., fully operational last year. The 350,000-sq.-ft. facility currently supplies more than 350 stores in the Midwest with 67% of their stock.

The warehouse is equipped with some of the industry's state of the art technology including laser beam scanners, automated item selection devices and a computerized conveyor system.

A new 200,000-sq.-ft. warehouse in Flagstaff, Ariz., will begin supplying Walgreens stores in the Southwest this month.

Ribordy Drugs brought its new 50,000-sq.-ft. office headquarters and warehouse complex in Valparaiso, Ind., on-line during the past year. The warehouse serves all 23 of the chain's stores. With its 40-ft. ceiling, the facility is the equivalent of 100,000 sq. ft.

In Canada London Drugs Ltd., an 18-store chain based in Vancouver, B.C., opened a new 167,000-sq.-ft. distribution center last year. Prior to the opening of the facility, the company operated a 40,000-sq.-ft. warehouse and leased additional space. The new building more than doubles the chain's warehousing capacity.

Another chain that increased its network of warehousing and distribution centers was Rite Aid. The chain completed a 63,000-sq.-ft. addition to its warehouse near Charleston, W. Va. The expansion brings Rite Aid's total warehouse space to 980,000 sq. ft. The company also operates facilities in Shiremanstown, Pa., and Rome, N.Y.

Other chains also broke ground last year for the construction of additional warehouse and distribution facilities.

Eckerd, which already maintains the highest amount of warehouse space in the industry, began construction on a new 230,000-sq.-ft. distribution center in Hamilton, La. When finished next year, the building will serve more than 150 stores in the Southeast. It will replace the chain's 35,000-sq.-ft. warehouse in nearby Lafayette, La. Eckerd currently operates a total of 2 million sq. ft. of warehouse space. From these facilities it distributes 95% of its stock.

Pay Less NW announced plans for its new 200,000-sq.-ft. warehouse last year. The building will be completed sometime in 1984. Company officials said the warehouse would be used primarily for promotional merchandise. Pay Less NW currently maintains 208,000 sq. ft. of floor space plus 208,000 sq. ft. of mezzanine.

In a separate development, Pay Less said that beginning this fall, the chain will warehouse legend drugs for the first time in its history. An estimated 6,000 sq. ft. to 8,000 sq. ft. will be apportioned for pharmaceutical warehousing, the chain said.

Making plans

Also making plans for a new warehouse was Peoples, which said it would build a 500,000-sq.-ft. warehouse to serve 260 stores in its mid-Atlantic region within the next two years. The new facility will replace the chain's Alexandria, Va., warehouse, as well as two other leased buildings.

Several drug chains added extensions to their existing warehouses and distribution centers. In some cases, the additions increased the chains' storage capacity by more than 50%, enabling them to increase store order turnaround and cut distribution costs.

At Big V Pharmacies Co. Ltd., the 64-store chain based in London, Ontario, Tony Crncich, chairman, president and general manager, said the total square footage of its warehouse space doubled last year.

The expansion did not require any additional construction, however. The chain took over 20,000 sq. ft. of unused space in a building it occupied.

Crncich said while he didn't want to operate a full-line warehouse, the chain's "rapidly growing rate of sales" made the expansion a necessity. He also said the additional space will increase the amount of sales handled through the warehouse by 10%.

Despite the fact 95% of its stock passes through its warehouse, Norton Taylor, president of Kinney Drug in Gouverneur, N.Y., said because of its location, which is not near any major highways, the chain has had difficulty getting merchandise to its 23 stores.

With the lower costs of money, Kinney decided to solve its supply problems by building a 30,000-sq.-ft. extension to its existing warehouse. The new facility, with its 30-ft. ceiling, actually provides the chain with 90,000 sq. ft in additional space.

Thayer Pharmacies Inc., in Stoughton, Mass., increased the size of its warehouse by 16,000 sq. ft. last year. According to Jeffrey Ross, the chain's president, treasurer and ceo, the expansion will enable it to increase the percentage of stock it handles through its warehouse by 10%. Forty per cent of its stock currently passes through the warehouse.

Ribordy's 40-ft.-high Valparaiso, Ind., warehouse and office complex has enabled the 23-store chain to improve its inventory control.

Top Drug Chains in Warehousing

Chain	Number of Facilities	Total Square Footage
1. Eckerd	6	2,600,000
2. Walgreens	7	2,000,000
3. Revco	9	1,700,000
4. Thrifty	3	1,180,000
5. Rite Aid	3	980,000
6. Peoples	6	862,000
7. Jewel	2	800,000
8. Thrift	3	689,000
9. Gray Drug Fair	3	625,000
10. Hook Drugs	3	599,000
11. SupeRx	2	560,000
12. K&B	2	540,000
13. Grand Central Inc.	2	520,000
14. Pay Less NW	1	512,000
15. Dart	1	500,000
16. Tom Thumb	1	385,000
17. Adams	1	385,000
18. American Stores	8	383,000
19. Snyder's	1	375,000
20. Pay 'n Save	1	350,000
21. Boots Drugs	1	265,000
22. Fay's	1	229,000
23. Perry	1	224,000
24. Malone & Hyde	1	210,000
25. London Drugs	1	169,000
26. Pharm-Escomptes	3	120,000
27. Duane Reade	1	120,000
28. Standard Drugs	1	110,000
29. Rix	1	105,500
30. Big B	2	102,000
31. Discount Drug	3	102,000
32. LaVerdiere's	1	100,000
33. Carl's	1	100,000
34. Kinney Drug	1	95,000
35. Drug Fair N.J.	1	81,000
36. Taylor Drug	1	80,000
37. Begley	1	80,000
38. Courtesy	1	75,000
39. Kerr	1	75,000
40. Medicare-Glaser	1	75,000
41. Arbor	1	72,000
42. Pharmacity	1	60,000
43. Harco	1	60,000
44. Muir	1	50,000
45. Longs*	1	50,000
46. Ribordy	1	50,000
47. Big V	1	50,000
48. Page	1	45,000
49. People's Drug Mart	1	40,000
50. White	1	40,000
51. L. F. Widmann	1	40,000

*Includes variable leased space

Source: *Drug Store News* survey

1983 ANNUAL REPORT OF THE

CHAIN DRUG INDUSTRY

PERFORMANCE

Economy fosters deep discounting

During 1982, the deep-discount drug format drew heavy retailer attention as both major chains and entrepreneurs tested this type of operation.

Strong interest in deep-discount drug stores has been partly fueled by the difficult economy, which, in turn, has triggered intense consumer interest in off-price retailing. Specialty retailers and discounters discovered that shoppers are highly enthusiastic about paying less for national brands. Some abandoned shopping centers have even been revived by tenanting them entirely with off-price retailers, such as Marshalls or T. J. Maxx, and these centers often have attracted a deep-discount drug operator.

The format of a deep-discount drug store is usually much larger than a traditional chain unit. For example, Jax in the Cleveland area is 24,000 sq. ft. in size (18,600 sq. ft. selling), and a typical Drug Emporium runs 15,000 sq. ft. A few, such as Cecille's in Michigan, are smaller—about 7,000 sq. ft.

The units are large because a great deal of merchandise must be packed in to generate the volume levels needed to make a profit. This is especially so because gross margins run as low as 16% to 19%. A volume of at least $3 million to $4 million is needed to break even.

High volume

Most of those in the business aren't having trouble reaching that figure. Drug Emporium units often exceed $10 million, Jax, when mature, can produce $15 million to $20 million, and Marc's (owned by Marc Glassman) had a 1982 sales volume of $25 million. Nearby to Marc's in suburban Cleveland, Shulman's average weekly customer count of 30,000 people produced annual sales of more than $20 million. In other words, a typical drug store needs about five months to do the kind of volume a store such as Shulman's rings up in one week.

So it is no surprise that chains have been experimenting with this format.

SupeRx has three SuperXtra Drug Worlds, Pharmacity has Heartland, Rite Aid operates three Drug Palace stores, Gray unveiled a unit operating on low margins, Ribordy has R-Way and Carls Drug tried low-margin retailing with Cost-Rite.

The latter, however, bailed out of the business early in 1983 after finding shoppers in Cost-Rite's market preferred the full-line drug approach.

Since about 75% of deep-discount buying is on deal, it can be a problem when customers want one size of toothpaste and the only deal available is for another. Other dangers of deep discounting involve the high costs of inventory needed to stock great quantities. Inventories range upwards of $1 million. The final problem, of course, is that the retailer can strike a bad deal and get a load of merchandise that just doesn't move—Glassman recently was quoted as saying he is stuck with thousands of imitation Rubik's Cubes.

Yet, the prognosis for deep discounting is favorable. *Drug Store News* estimates that the number of these outlets will more than double in the next five years and account for more than 2% of total chain drug sales. Not only will new entries such as DFL (Drugs For Less, Safeway's deep-discount outlet) move into various markets, but existing operations such as Drug Emporium and Jax are poised for even greater growth. Drug Emporium, for instance, already has 31 units on the drawing board.

The growth of this sector inevitably means that deep discounters have begun stepping on chains' toes. The competitive impact of low-margin operators has been evident in moves taken by chains. Gray last year slashed prices and lowered margins to 17% to 20% after Jax opened nearby. Pathmark reduced prices in its Metropolitan New York units to meet Rock Bottom's competitive thrust, and Revco took markdowns in Texas following the opening of a new Drug Emporium. The consensus, however, is that both forms can coexist successfully.

Meanwhile, other chains continued to move heavily into the combo business in 1982. Combos are huge stores uniting groceries and drug under one roof. Some combos have separate checkouts, others have a common cashier area. The mix is usually about 60% food and 40% drug. The most aggressive in this area include Jewel, Kroger, Skaggs, Tom Thumb, Raley's. Wellby and Big B are two other companies testing the combo concept.

There are also combos that are not food/drug combos such as Perry Drug's drug/auto combos and Sav-On's drug/home centers. Perry units devote about one-third of the selling space to auto supplies. This tactic has been successful, and Perry recently opened separate freestanding auto units.

Many drug chains have maintained their standard mix over the years. However, 1982 appeared to be a year when these conventional operators stressed the health and professional image portrayed in the drug store. Pharmacy services were promoted and health areas were expanded. An example of this is both Medicare-Glaser and Fay's. These two chains advertised the benefits of their pharmacy computer systems.

Also, chains have expanded health areas. Convalescent aids are popular along with hearing, optical and dental services. Chains are stressing their health image to drive back competitors hungry for the Rx and H&BA business.

Deep discounters continue to flourish

Store name	Owner	Major markets	No. of units
Drug Emporium	Franchised, developed by Phil Wilber	Dallas, Phoenix, Columbus, Atlanta, San Diego, Kansas City, Kan.	19
Rock Bottom	Courtesy Drug	Long Island, Metro New York	19
F&M	Private investors, president Bill Edwards	Detroit, Chicago, Indianapolis, Toledo	9 (two on schedule)
Warehouse Way	Chatham Supermarkets	Detroit	7
Warehouse Drugs	Mi-Lo	Lexington, Louisville, Ky., Cincinnati	5
SuperXtra Drug World	SupeRx Drug	Cincinnati	3
Drug Palace	Rite Aid	Columbus, Ohio	3
Jax	Fisher Foods	Cleveland	2
Shulman's	Founded by the late Bernie Shulman, now run by wife, Terry	Cleveland, Florida	2
Marc's	Marc Glassman	Cleveland	1 (with intent to franchise)
Cecille's	Sonny and Cecille Raichlen	Birmingham, Mich.	1 (with plans for one more)
Gray	Gray Drug Fair	Cleveland	1
Jote's	Jody Fazio	Cleveland	1
R-Way	Ribordy	Indiana	1
Pete 'n Larry's	Private owners	Buffalo, N.Y.	1
DFL	Safeway	Garland, Tex. Plans for new units in Oklahoma City; Duncanville, Tex.	1 (plans for five within next month)
Drug Warehouse	May's	Oklahoma	1
Freddie's	Private owner	Rochester, N.Y.	1
A to Z	Bill Bevacqua	Atlanta	1
Heartland	Pharmacity	Massachusetts	6
Super Drug	Super X Drug	Toronto	1
Drug Outlet	Jack Austin Drug	Toronto	1
Shopper Drug Warehouse	Shoppers Drug Mart	London, Ontario	1

Source: *Drug Store News* survey

Partly fueled by the difficult economy, both major chains and entrepreneurs have been testing the deep-discount format.

PERFORMANCE

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Top 50 capture 63% of total sales

Top 75 drug chains by sales

Chain	Total Drug Store Sales (in millions)	Chain	Total Drug Store Sales (in millions)
1. American	1,980°	38. Arbor	60+
2. Walgreen	1,924++	39. Union Prescription	60+
3. Eckerd	1,810++	40. LaVerdiere's	55°
4. Revco	1,700+	41. Kerr Drugs	54°
5. Jewel Cos.	1,545°	42. Discount Drug Mart	52+
6. Shoppers Drug Mart	1,150+**	43. Taylor	51+
7. Thrifty	1,126++*	44. White Drugs	51°
8. Longs	1,123++	45. Kent Drugs Ltd.	50°**
9. Rite Aid	967+	46. Cumberland Drugs	50°**
10. Pay Less NW	785++	47. Erickson's Valu Drugs	48+
11. Peoples	688++	48. Pharmacity	47+
12. SupeRx	683++	49. Super X Drugs Ltd.	46+**
13. Pay 'n Save	646+	50. Standard	45°
14. CVS	615+	51. Courtesy	44°
15. Gray Drug Fair	540+	52. Drug Fair NJ	42+
16. Thrift	538+	53. Harco	42°
17. Pathmark	430°	54. Begley	41+
18. Dart	292++*	55. Ribordy	41°
19. Adams	286+	56. Carr's Pay Less	34°
20. Hook	285+	57. Drug King	34°
21. K&B	282°	58. Medi-Save	33°
22. K mart	280°	59. Bill's	33°
23. Pharm-Escomptes Jean Coutu	273+**	60. Muir	32+
24. Fay's	270++	61. Kinney	31+
25. Perry	244+	62. Rix	31+
26. Boots	220+**	63. Wellby Super Drug	30+
27. Genovese	159+	64. Douglas	27+
28. Medi Mart	118+	65. L. F. Widmann	26+
29. Medicine Shoppe	108+	66. Lewis Self-Service	26+
30. Duane Reade	100+	67. Sentry	25+
31. Medicare-Glaser	102°	68. Thrifty Drug, Minn.	23+
32. Snyder's	92+	69. Pay Less Drug Stores	22+
33. Page	88°	70. Bartell Drug Co.	22+
34. Big B	87++	71. May's Drug Stores	18+
35. Big V Pharmacies	82+**	72. Mi-Lo	18+
36. Carl's	77°	73. Cook	16+
37. A. D. Clark	75+	74. Crown	16+
		75. Keystone	15+

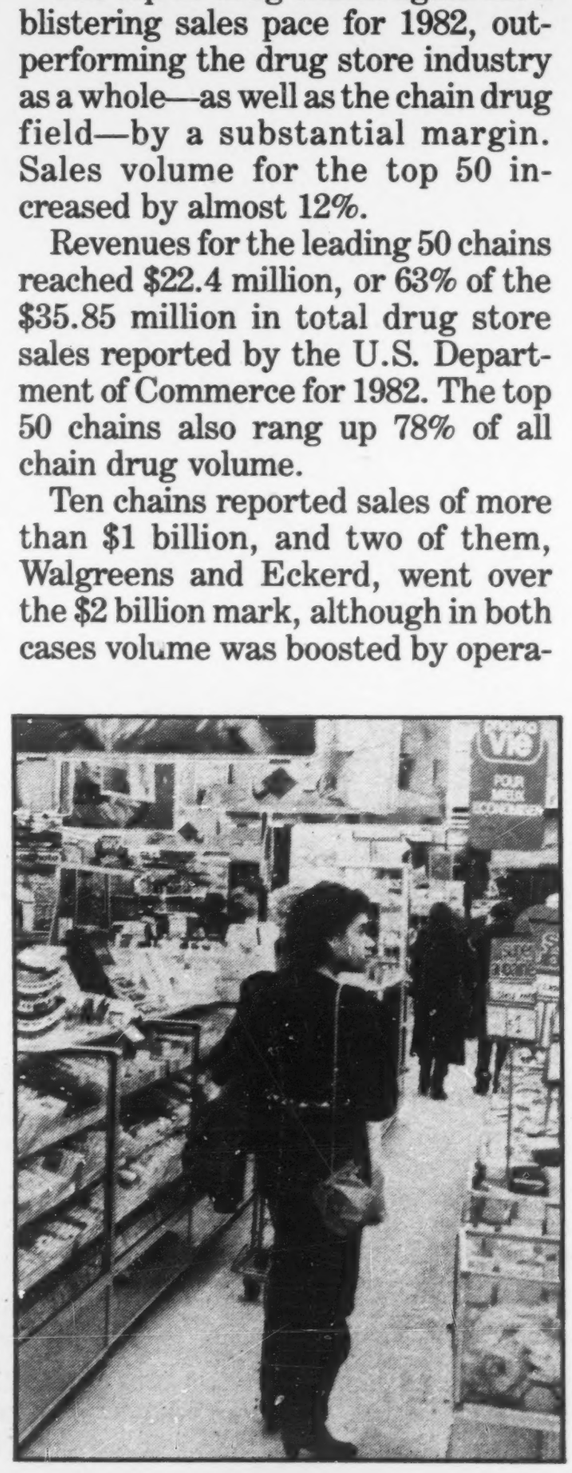
°estimate
++Fiscal year
+Calendar year
*Corporate sales
**Canadian dollars

Source: Company reports: *Drug Store News* survey

The top 50 drug chains again set a blistering sales pace for 1982, outperforming the drug store industry as a whole—as well as the chain drug field—by a substantial margin. Sales volume for the top 50 increased by almost 12%.

Revenues for the leading 50 chains reached $22.4 million, or 63% of the $35.85 million in total drug store sales reported by the U.S. Department of Commerce for 1982. The top 50 chains also rang up 78% of all chain drug volume.

Ten chains reported sales of more than $1 billion, and two of them, Walgreens and Eckerd, went over the $2 billion mark, although in both cases volume was boosted by operations outside drug store retailing. Eckerd had its JByrons department stores, VideoConcept outlets and apparel business and Walgreens its Wags restaurants and Mexican affiliate, Sanborns. Both, however, remain primarily drug store operations.



Rite Aid was another drug chain whose billion-dollar sales year was helped by diversification into other areas, including food wholesaling, rack jobbing and toy retailing. Last month, Rite Aid added another retailing venture—the opening of a chain of Heaven stores.

For both Jewel Cos. and American Stores, the billion-dollar-plus drug store volume was the result of combining sales from two retail drug operations—Jewel's Osco and Sav-On and American's Skaggs and Rea and Derick.

In 1982, Shoppers Drug Mart and Pay 'n Save joined the no longer so exclusive billion-dollar club. In Pay 'n Save's case, too, a big part of corporate volume was generated by the company's diversification into other types of retail operations—sporting goods outlets, home centers and apparel stores. (The sales chart on this page in most cases reflects only sales from retail drug operations.) The 10 leading chains combined to produce drug store sales of $14.1 billion, or 39% of all retail drug volume. That percentage topped the 37% recorded by the leading chains in 1981,

Continued on page 69

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PERFORMANCE

'Acquisition fever' cooled in 1982

Top 50 chains: 12,684 stores

Chains	1982 store totals	1981 store totals	Net gain
1. Revco, Twinsburg, Ohio	1,642	1,556	+ 86
2. Jack Eckerd Corp., Clearwater, Fla. (7/31/82)	1,238	1,135	+103
3. Rite Aid, Shiremanstown, Pa.	1,060	958	+102
4. Walgreen, Deerfield, Ill. (8/31/82)	883	821	+ 62
5. SupeRx, Cincinnati	565	537	+ 28
6. Thrifty Corp., Los Angeles	535	534	+ 1
7. Peoples, Alexandria, Va. (9/25/82)	554	527	+ 27
8. Jewel Cos., Oak Brook, Ill.	470	450	+ 20
9. CVS, Woonsocket, R.I.	466	433	+ 33
10. Adams Drug Co., Pawtucket, R.I.	465	481	− 16
11. Shoppers Drug Mart, Toronto	434	433	− 1
12. Gray Drug Fair, Cleveland	380	365	+ 15
13. Medicine Shoppe International, St. Louis	365	329	+ 36
14. Thrift Drug Co., Pittsburgh	354	344	+10
15. American Stores, Salt Lake City	383	334	+ 49
16. Hook Drugs Inc., Indianapolis	282	269	+ 13
17. Boots Drugs, Toronto	177	172	+ 5
18. Longs Drug Stores, Walnut Creek, Calif.	173	162	+ 11
19. Pay Less NW, Wilsonville, Ore.	146	143	+ 3
20. Pay 'n Save, Seattle	143	133	+ 10
21. Malone & Hyde, Memphis	132	128	+ 4
22. Perry Drug Stores, Pontiac, Mich.	125	117	+ 8
23. Union Prescription Centers, Milwaukee	125	117	+ 8
24. Pathmark Drug Stores, Edison, N.J.	121	118	+ 3
25. K&B Inc., New Orleans	115	108	+ 7
26. Rix Corp., Auburndale, Mass.	103	104	− 1
27. Fay's Drug Co., Liverpool, N.Y.	92	84	+ 8
28. Medicare-Glaser Corp., St. Louis	89	85	+ 4
29. Big "B" Discount Drug Inc., Birmingham, Ala.	83	72	+11
30. Dart Drug, Landover, Md.	71	70	+ 1
31. Genovese Drug Stores, Melville, N.Y.	66	61	+ 5
32. Big V Pharmacies Co. Ltd., London, Ontario	64	59	+ 5
33. Pharm-Escomptes Jean Coutu, Longueil, Quebec	62	57	+ 5
34. L. F. Widmann Inc., McElhattan, Pa.	61	57	+ 4
35. Super X Drugs Ltd., Downsview, Ontario	56	50	+ 6
36. Standard Drug, Richmond	54	53	+ 1
37. LaVerdiere's Super Drug Stores, Winslow, Me.	52	51	+ 1
38. Begley Drug, Richmond	51	50	+ 1
39. Snyder's Drug Stores, Hopkins, Minn.	50	48	+ 2
40. Medi Mart, Quincy, Mass.	50	48	+ 2
41. Taylor Drug Stores, Louisville, Ky.	47	46	+ 1
42. Harco Drug, Northport, Ala.	45	44	+ 1
43. White Drug, Jamestown, N.D.	42	37	+ 5
44. Page Drugs, Dallas, Tex.	38	33	+ 5
45. Carls Drug Co., Rome, N.Y.	35	35	—
46. Kerr Drug, Raleigh, N.C.	34	32	+ 2
47. Wellby Super Drug, Portland, Me.	28	28	—
48. Arbor Drugs, Troy, Mich.	28	26	+ 2
49. Muir Drug Stores, Grand Rapids, Mich.	25	27	− 2
50. Ribordy Drugs, Valparaiso, Ind.	23	22	+ 1

*Includes Osco and Sav-On

Source: Business Guides Inc. & *Drug Store News* survey

Continued from page 66

demonstrating again the domination of the leading companies.

In 1982, Revco maintained its number one position in store count, with over 1,600 outlets in 28 states. The Twinsburg, Ohio-based chain had a net gain of 86 stores during the year.

The biggest gain in store numbers was accomplished by Eckerd. The Clearwater, Fla.-based chain added 103 stores during its fiscal year ended July 31 to hit 1,238 outlets in 16 states.

The only other chain to add more than 100 units was Rite Aid. The Shiremanstown, Pa.-based chain had a net gain of 102 stores to reach 1,060 and become the third chain drug company to break the 1,000-store barrier.

The economy last year had a dampening effect on major acquisitions by drug chains, in comparison to the "acquisition fever" which raged through the industry the previous year. For the most part, chains pursued a "backfilling" strategy of strengthening their positions in existing markets with smaller acquisitions and individual store openings.

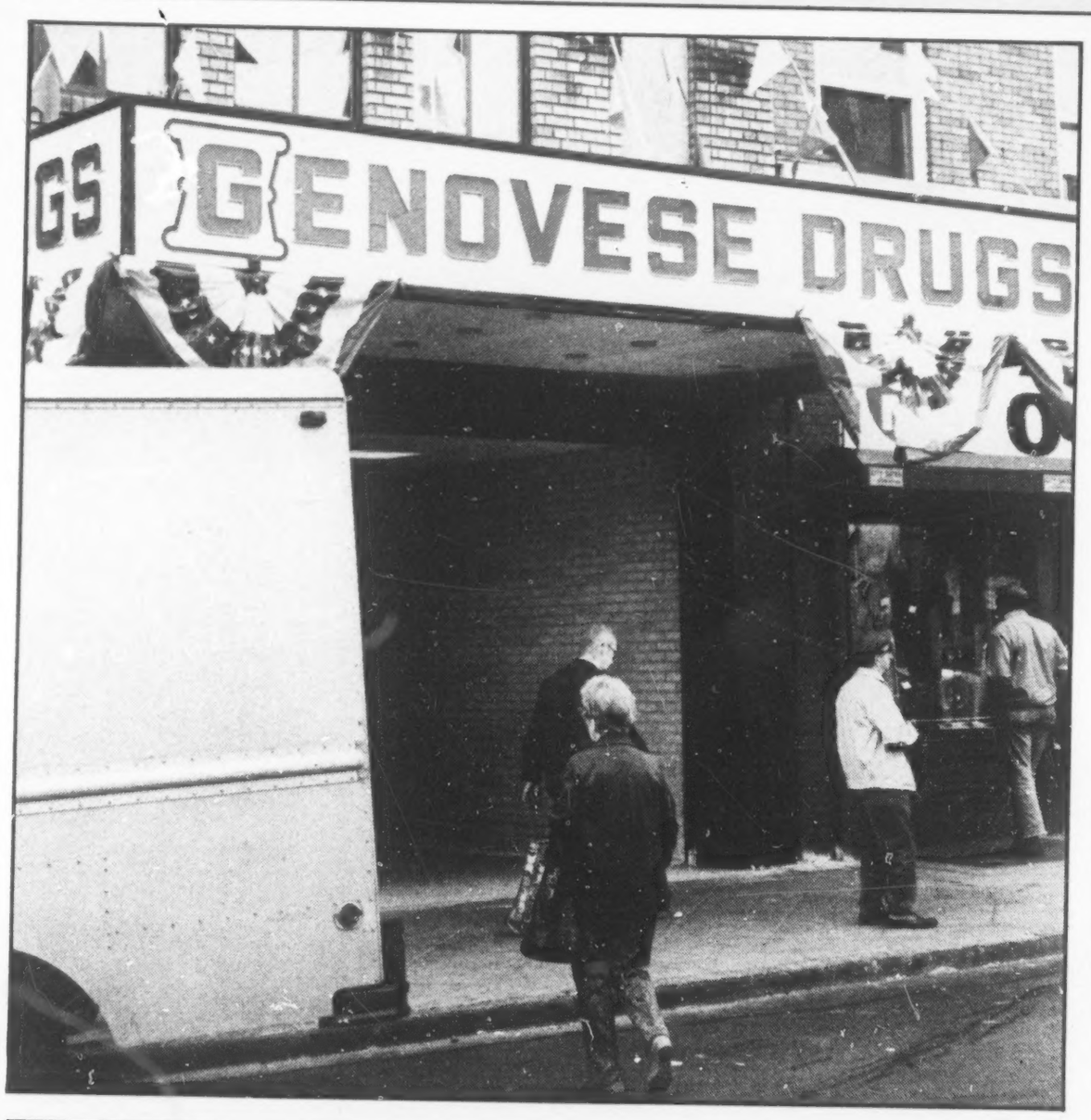
The most active chains in the acquisition market were Rite Aid and Gray Drug Fair. Among Rite Aid's purchase's were the 27-store Mann Drug chain in North Carolina and the 19-store Lomark chain in Ohio (three of them low-margin Drug Palaces). Gray Drug Fair's acquisitions included 25 Cunningham stores in Ohio.

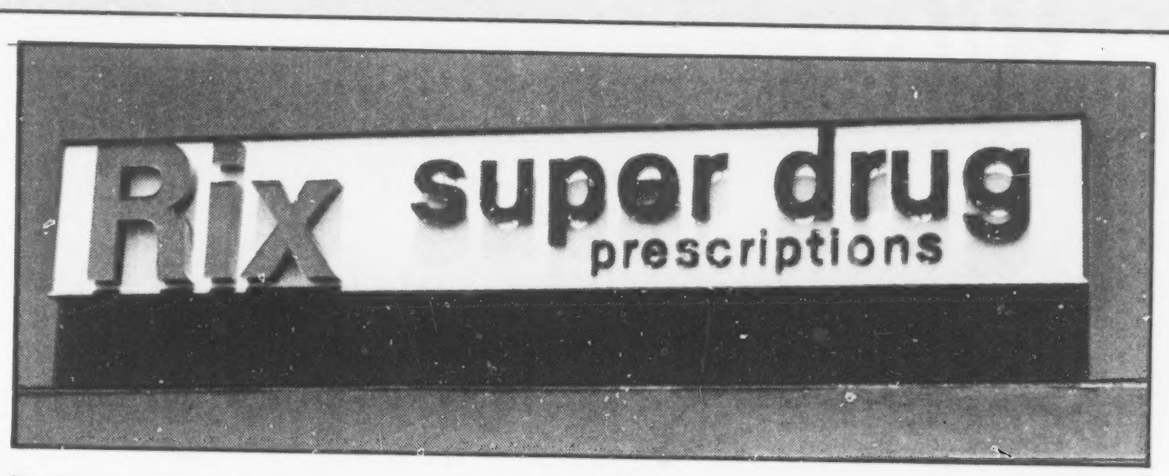
PERFORMANCE

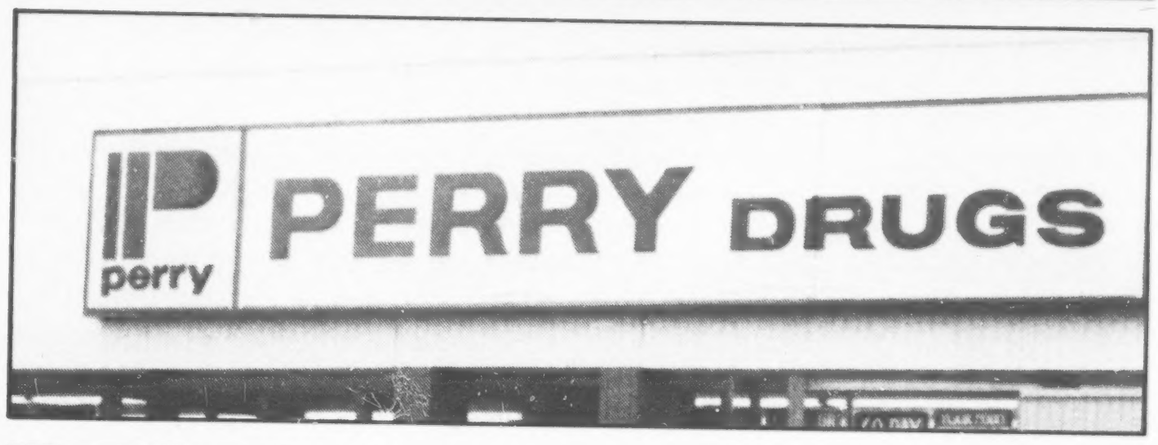
1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

1982 final scores for 18 publicly

Add 000 to all dollar figures	Total sales					Net income					Net-to-sales ratio				
Chain	'82	'81	'80	'79	'78	'82	'81	'80	'79	'78	'82	'81	'80	'79	'78
Adams (Yr. ends 12/31/82)	$ 286,247	$ 242,489	$ 207,014	$ 175,754	$ 154,353	$ 4,555	$ 3,437	$ 3,127	$ 2,479	$ 2,894	1.6	1.4	1.5	1.4	1.9
Begley (Yr. ends 3/31/82)	49,982	47,289	42,774	36,326	32,637	229	798	963	1,326	1,119	0.5	1.7	2.3	3.7	3.4
Big B (Yr. ends 1/31/83)	87,413	N/A	N/A	N/A	N/A	2,541	N/A	N/A	N/A	N/A	2.9	N/A	N/A	N/A	N/A
Dart (Yr. ends 1/31/83)	291,820	276,937	259,900	231,211	209,292	9,112	4,170	1,385	3,565	2,300	3.1	1.5	0.5	1.5	1.2
Eckerd (Yr. ends 8/1/83)	2,080,183	1,752,550	1,408,455	1,325,140	1,131,445	70,681	78,510	69,254	59,303	50,633	3.4	4.5	4.9	4.5	4.5
Fay's (Yr. ends 1/31/83)	270,275	238,233	243,117	194,037	141,921	5,479	3,071	923	3,010	2,478	2.0	1.3	0.4	1.6	1.7
Genovese (Yr. ends 1/29/83)	158,651	134,155	122,000	97,447	86,054	2,643	1,780	516	1,557	N/A	1.7	1.3	0.4	1.6	N/A
Hook (Yr. ends 12/31/82)	285,226	261,155	235,503	207,215	184,220	6,592	5,853	7,318	3,373	5,629	2.3	2.2	3.1	3.1	3.1
Longs (Yr. ends 1/27/83)	1,123,234	1,005,370	893,198	773,251	663,542	30,890	30,274	25,862	26,687	33,600	2.8	3.0	2.3	3.5	3.6
Pay Less NW (Yr. ends 1/31/83)	784,704	758,529	750,947	380,500	345,573	19,375	16,649	14,317	12,400	9,853	2.5	2.2	1.9	3.3	2.9
Pay 'n Save (Yr. ends 1/31/83)	1,043,218	949,189	823,390	709,063	618,731	16,807	12,897	18,998	19,313	17,199	1.6	1.4	2.3	2.7	2.8
Peoples (Yr. ends 9/30/82)	688,409	634,292	561,836	441,114	404,430	10,483	9,304	8,178	6,457	5,521	1.5	1.5	1.4	1.5	1.4
Perry (Yr. ends 10/31/82)	244,272	192,066	136,427	109,275	89,155	2,868	3,369	2,363	2,501	2,100	1.2	1.8	1.7	2.3	2.4
Revco (Yr. ends 5/29/82)	1,554,656	1,310,404	1,092,797	927,533	792,033	49,638	45,129	38,916	33,636	29,376	3.2	3.4	3.6	3.6	3.7
Rite Aid (Yr. ends 2/26/83)	1,294,711	1,066,474	944,151	811,100	640,272	49,885	39,852	35,885	30,201	N/A	3.9	3.7	3.8	3.7	N/A
Rix (Yr. ends 8/30/82)	31,576	30,936	29,030	26,239	24,609	102	(179)	250	164	438	0.3	N/A	0.9	0.6	1.8
Thrifty (Yr. ends 8/31/82)	1,126,203	1,054,418	949,304	858,358	759,236	18,302	17,752	14,745	14,200	10,969	1.6	1.7	1.6	1.7	1.4
Walgreens (Yr. ends 8/31/82)	2,039,496	1,743,471	1,530,722	1,344,542	1,192,855	56,064	42,127	34,813	30,293	24,033	2.7	2.4	2.3	2.3	2.0







Add 000 to all dollar figures	Stores				
Chain	'82	'81	'80	'79	'78
Adams (Yr. ends 12/31/82)	446	481	391	412	361
Begley (Yr. ends 3/31/82)	47	51	50	50	44
Big B (Yr. ends 1/31/83)	83	N/A	N/A	N/A	N/A
Dart (Yr. ends 1/31/83)	223	171	69	75	86
Eckerd (Yr. ends 8/1/83)	1,238	1,135	1,045	957	869
Fay's (Yr. ends 1/31/83)	92	84	111	105	62
Genovese (Yr. ends 1/29/83)	66	61	58	52	49
Hook (Yr. ends 12/31/82)	272	257	257	251	236
Longs (Yr. ends 1/27/83)	173	162	149	130	120
Pay Less NW (Yr. ends 1/31/83)	147	143	144	89	80
Pay 'n Save (Yr. ends 1/31/83)	142	124	129	111	107
Peoples (Yr. ends 9/30/82)	554	527	485	399	377
Perry (Yr. ends 10/31/82)	125	117	97	64	57
Revco (Yr. ends 5/29/82)	1,593	1,514	1,247	1,143	1,030
Rite Aid (Yr. ends 2/26/83)	1,055	963	878	800	732
Rix (Yr. ends 8/30/82)	34	35	38	37	38
Thrifty (Yr. ends 8/31/82)	533	534	529	517	515
Walgreens (Yr. ends 8/31/82)	883	821	739	688	641

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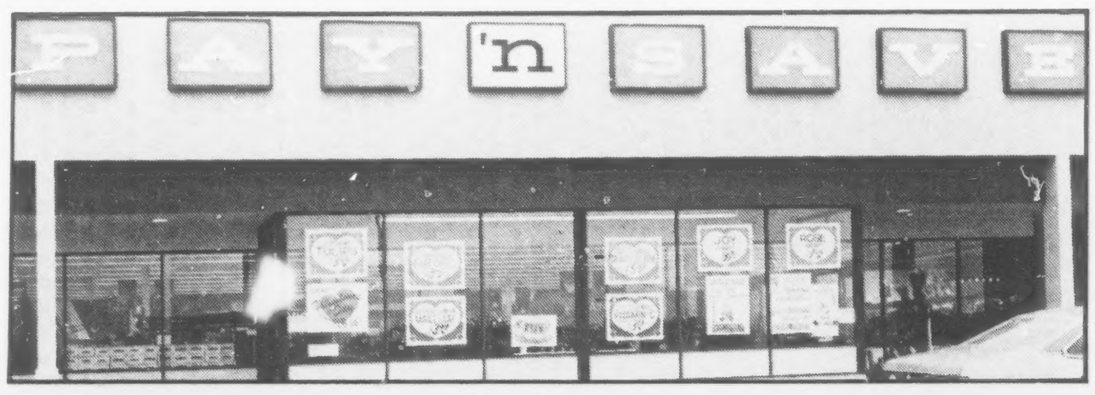
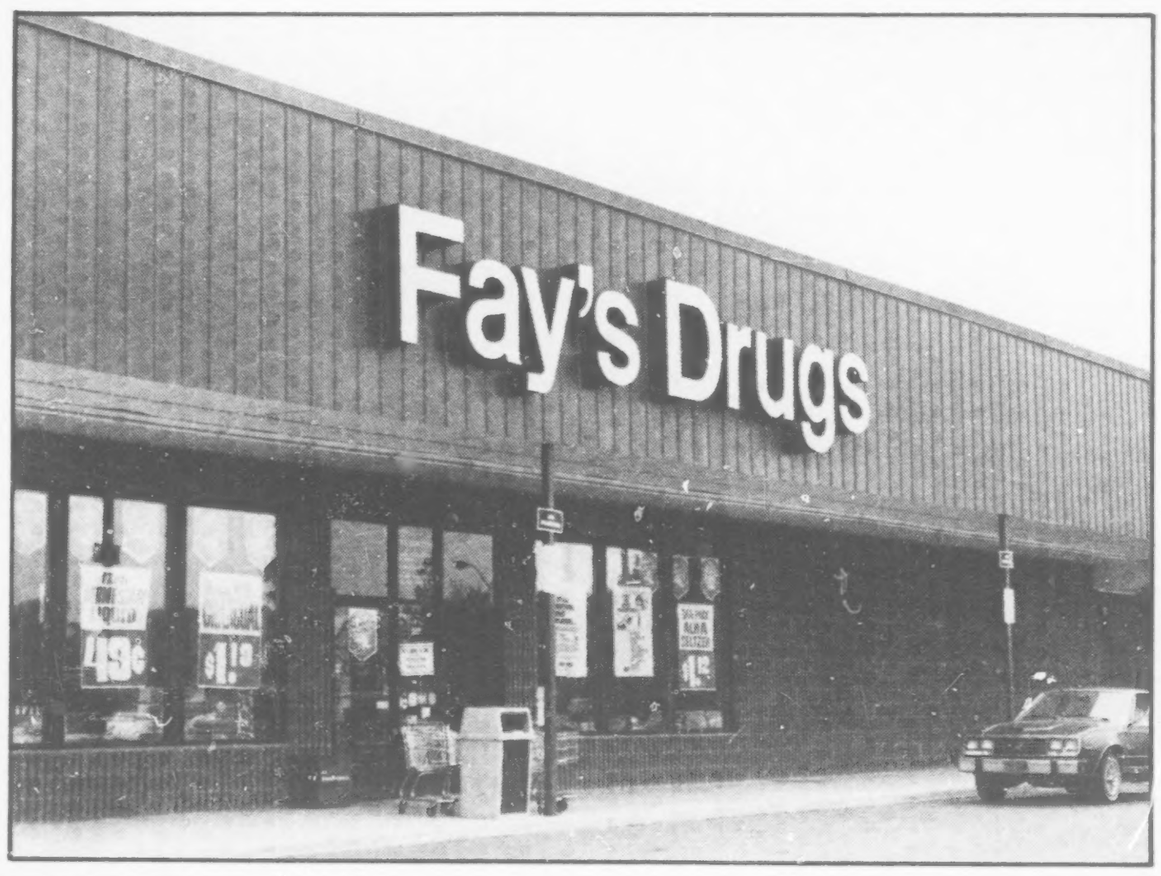
held drug store chains

Return on investment

'82	'81	'80	'79	'78
11.5	9.7	10.2	8.5	10.7
2.5	8.1	9.9	144.6	12.7
11.5	N/A	N/A	N/A	N/A
19.1	13.6	N/A	11.2	10.5
13.3	16.8	18.1	16.6	16.3
23.4	14.7	5.0	16.8	15.4
16.1	12.6	4.5	1.3	N/A
16.2	15.4	20.2	19.5	18.9
15.5	17.1	N/A	19.1	19.6
18.1	18.2	19.8	18.6	17.3
10.7	8.8	13.7	15.6	15.8
13.7	13.9	14.6	13.8	13.5
11.2	14.4	11.6	14.9	14.5
17.4	18.3	19.1	18.4	19.9
19.1	18.3	18.9	18.6	N/A
2.3	N/A	5.4	3.8	10.3
15.0	15.0	13.7	14.2	11.7
18.7	16.8	16.8	17.3	15.7





Sales per store

'82	'81	'80	'79	'78
$ 642	$ 504	$ 529	$ 426	$ 427
802	712	663	605	618
1,053	N/A	N/A	N/A	N/A
1,309	1,620	N/A	N/A	2,434
1,462	1,413	1,348	1,264	1,185
2,938	2,836	2,190	1,848	2,289
2,404	2,199	2,103	1,874	1,618
1,049	1,016	916	826	781
6,493	6,206	5,995	948	5,529
5,338	5,304	5,000	4,275	4,320
4,553	5,496	3,924	3,908	3,622
1,243	1,204	1,158	1,106	1,073
1,954	1,641	1,406	1,707	1,564
976	866	876	812	769
917	871	849	798	746
929	844	764	709	648
2,113	1,975	1,795	1,660	1,474
2,179	1,911	1,910	1,777	1,679

Gross margin

'82	'81	'80	'79	'78
26.3	26.1	26.8	33.0	34.9
31.0	32.0	31.8	35.2	34.1
29.6	N/A	N/A	N/A	N/A
N/A	20.8	N/A	21.8	20.8
28.7	29.3	29.2	29.3	29.4
24.9	25.3	23.5	25.3	24.8
29.9	N/A	N/A	29.9	30.1
33.9	33.6	35.2	34.9	34.8
24.1	24.1	23.4	32.1	24.5
25.9	27.4	26.2	27.2	21.6
29.1	29.2	29.5	29.4	29.7
25.1	23.8	24.4	23.5	23.6
29.8	29.8	30.4	30.5	30.0
27.0	26.7	26.6	26.5	26.6
23.2	22.6	23.1	21.6	22.7
7.6	6.5	9.2	8.2	10.0
27.9	27.4	26.7	25.7	25.6
30.5	29.3	29.5	29.8	30.1

Expense ratio

'82	'81	'80	'79	'78
21.5	22.0	22.7	29.1	30.3
37.8	40.1	38.9	38.0	36.7
24.1	N/A	N/A	N/A	N/A
N/A	16.1	N/A	17.2	16.5
21.1	20.6	20.6	21.3	20.2
19.4	21.0	20.9	20.2	19.4
25.3	26.0	25.2	25.7	25.5
28.0	27.4	27.4	28.1	26.7
18.0	17.6	17.1	17.6	17.1
22.1	20.6	20.0	20.4	20.0
22.9	23.1	22.3	23.3	21.9
20.5	19.5	20.0	20.3	20.1
26.1	25.5	26.1	26.6	24.7
19.6	19.3	19.1	19.7	18.5
13.9	13.7	13.6	13.2	13.9
5.9	6.1	5.9	6.1	5.2
22.4	21.8	21.8	20.9	21.6
25.1	25.0	24.5	25.1	25.7

ANNUAL REPORT FOOTNOTES

* * *

- **Stores:** Counts are generally for drug stores (or leased department) unless footnote indicates otherwise.
- **Sales per store:** This figure includes drug store volume only, except where noted. Sales per store is computed on stores open at year's end, and thus the figure tends to be an understatement. Where available, sales per store open the full year have been used and noted.
- **Gross margin:** Those cases where the cost of goods sold includes other items (occupancy costs, warehousing expenses, buying costs, etc.) have been noted. The inclusion of such items in cost of goods sold reduces both gross margin and the expense ratio. Where possible, such costs have been removed and put in operating expenses.
- **Expense ratio:** The expense ratio is for general costs of operation, such as selling, general, administrative, occupancy and warehousing expenses, as percentage of sales. To make it correspond as much as possible to cash outlays for operations, depreciation and amortization have been excluded.
- **Fiscal years:** These are labeled by the year in which they end.
- **Total sales:** Corporate sales have been used; drug store volume has not been broken out from nondrug volume.
- **Net income:** This item excludes income originating from special items.
- **Return on investment:** The ROI was computed on stockholder's investment at the end of the year.
- **Adams:** Gross margin per cent is understated since cost of goods sold includes buying and occupancy expenses. The firm uses an LIFO method for its inventory valuation.
- **Begley:** All data include the results of the dry cleaning operations, except "Gross margins," "Stores," and "Sales per store," which are for the drug store operations alone. On March 31, 1980, the company began using the LIFO method of inventory valuation.
- **Big B:** Sales per store are based on total volume of all 83 outlets. Gross margins for the chain are understated because the firm includes buying and occupancy cost in its calculation of cost of goods sold.
- **Dart:** Dart would not release its financial data before presstime. For previous years, store count only included Dart Drug Stores with pharmacies. Trac Auto, Beer Wine, and Crown Book outlets are omitted from the store count. The firm adopted the LIFO method of valuing inventory in 1976.
- **Eckerd:** All data reflect corporate sales except "Sales" and "Sales per store," which are for drug units. Corporate data includes nondrug operations. During 1978 the company adopted the LIFO method of inventory valuation and earnings were reduced $3.5 million.
- **Fay's:** Fay's used an LIFO method of inventory valuation. Gross margin per cent reflects cost of goods sold; it does not include buying and occupancy expenses.
- **Genovese:** Net income is based on an LIFO inventory valuation.
- **Hook:** The firm converted to LIFO inventory valuation during 1981. As a result, cost of merchandise sold increased by $3.9 million and net income declined by $2.1 million.
- **Longs:** Depreciation is included in expenses for 1980. The firm converted to an LIFO inventory valuation during 1980. "Sales" are exclusive of funds generated through investments and interest received.
- **Pay Less N W :** The firm acquired 61 Pay Less California units and sold 14 of them during 1980. Cost of goods sold includes facilities rent and utilities. "Sales per store" is a weighted average taking into account the Pay Less California acquisition.
- **Pay 'n Save:** Data include results of all outlets except for "Stores" and "Sales per store" which are for drug stores. Hardware and apparel store operations are included in all other data.
- **Peoples:** Per cent gross margin is understated because cost of goods sold includes buying and occupancy costs.
- **Perry:** Effective July 31, 1980, Perry Drug Stores purchased all the net assets of DeKoven Drug Co. for approximately $2.8 million in cash and $1.7 million of Perry common stock. The firm uses LIFO to value its inventory.
- **Rite Aid:** Corporate sales include wholesale drug and grocery volume in addition to retail drug sales. "Sales per store" and "Stores" are for retail drug operation alone. Costs of goods sold include occupancy expenses.
- **Rix:** Sales per store include volume generated by 79 leased departments. Inventory was valued under the LIFO method during 1981. In addition per cent gross margin is understated because cost of goods sold includes some occupancy and selected store operating expenses.
- **Thrifty:** Data include results of all outlets, except for "Stores" which is for drug operations. Per cent margin is understated since cost of goods sold includes buying and occupancy expense.
- **Walgreen:** All data include results of food service and discount store operation except for "Stores" and "Sales per store," which are for drug operations.

* * *

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Execs chosen from in-house ranks

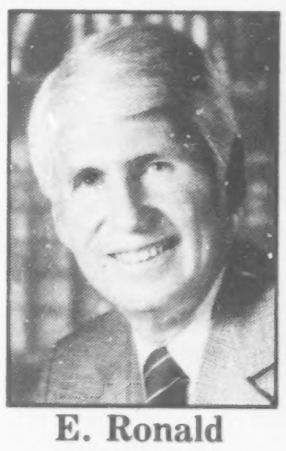
Drug chains that made key management changes in 1982 reached primarily within their own organizations to fill executive positions.

Of the chains that appointed new presidents, most advanced members of their top management teams. In addition, several middle-level executive slots were filled by going in-house.

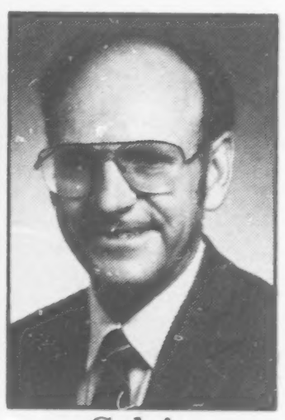
Pay 'n Save, based in Seattle, tapped E. Ronald Erickson to serve as president. Erickson, formerly executive vp of operations, succeeded M. Lamont Bean, who retained the titles of chairman and ceo.

Calvin Hendricks, former vp-administration, became vice chairman and chief financial officer. Joe Christy, former vp-director of merchandising, advertising and distribution, succeeded Hendricks as vp-administration.

Pay 'n Save completed the realignment by naming Stan Johnson vp and regional manager of the company's northwest drug division, and Tom Lawrenson to the newly created post of vp of construction and maintenance.



E. Ronald Erickson



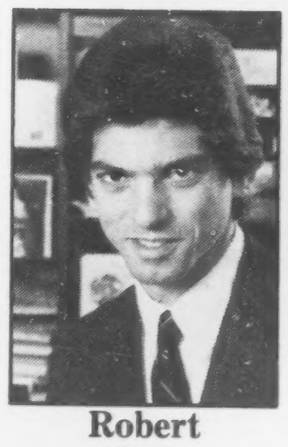
Calvin Hendricks

Dart Drug also restructured its top management in 1982. Robert Haft succeeded his father, Herbert, as the company's president and coo. Robert continued to serve as president of Crown Books Corp., a nationwide bookstore chain he founded six years ago. Herbert Haft was named chairman and ceo by Dart's board of directors.

Rounding out the Dart management team were Charles Shipe, who was named executive vp and senior operating officer, and Benjamin Kovalsky, who assumed responsibilities as senior vp of merchandising and president of Trak Auto, the chain's growing discount auto parts operation.

At Adams Drug, Charles Salmanson was named chairman of the chain following the retirement of his brother, Samuel. Charles Salmanson retained his role as treasurer. Both men along with their late brother, Leonard, founded the company in 1932.

The reorganization that took place after the change of command left Jerrold Salmanson, son of Charles, company secretary; James Salmanson, son of Samuel, executive vp, and Arthur Villeneuve, George Neville and Gary Remley senior vp's. Donald Salmanson remained president.



Robert Haft

Alvin Towle

Gray Drug Fair was one of the few chains that went outside to fill executive positions last year. Following the resignation of Fred Barney as president and chief operating officer, the chain lured Alvin Towle away from his post as president of the United States division of Shoppers Drug Mart in Boca Raton, Fla., to take over as president and general manager. Jerome A. Weinburger, former chairman and ceo of Gray Drug Stores, retired from the Sherwin-Williams Co. to join a real estate firm in Florida.

Sherwin-Williams initiated several other changes in its Gray Drug Fair subsidiary.

John A. Sirace, a real estate manager at K mart for five years, was appointed vp and divisional director of real estate for Gray Drug Fair.

In addition to its active recruiting efforts, the chain announced a number of promotions. Ronald Williams, who had been corporate controller at Drug Fair Inc. before it merged with Gray Drug in May 1981, was promoted to controller of the chain. Joseph B. Churchman was appointed executive vp and coo of the Alpha Health Services Group. The chain also appointed Irwin Livon vp of professional services.

Gray Drug Fair named new vps in its Northern, Atlantic and Florida regions. Joel Arnold, former senior vp for operations of the chain, was appointed vp of the 156-store northern region. Gerald Hansen, former executive vp of Grand Central Stores Inc. in Salt Lake City, was named vp of the Atlantic region. Gerald Weber, most recently director of operations for Shoppers Drug Mart's Southeastern U.S. region, was appointed vp of the chain's Florida region.

Also, David Heuerman, former director of personnel at Sherwin-Williams' Chemical Coatings division, was named Gray Drug Fair's divisional director of personnel.

At the Willowdale, Ontario headquarters of Shoppers Drug Mart, there was talk of expanding the company's United States operations. In what was viewed as a step in that direction, David Bloom was appointed president and ceo. Bloom succeeded Jack Gwartz, who was named vice-chairman.

The company also promoted Howard Trifler vp for retail development. Dalton VanCleave, who was recently named vp of merchandising, was appointed vp of marketing.

At Tiffany-Davis Drug Co., an eight-store chain in Eugene, Ore., Kristy Delaney succeeded John A. Tiffany as president and general manager. Tiffany, who has headed the company since 1948, was elected chairman of the board.

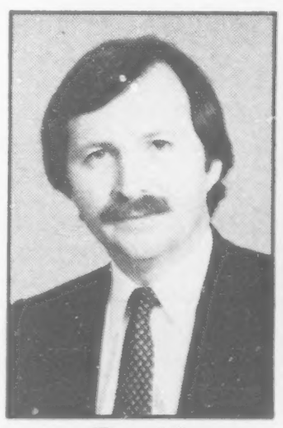
Red Owl/Snyder, the supermarket and drug store divisions of the financially strapped Wickes Cos., last year divided the two operations into separate groups. As part of the move, Donald Beeler, former senior vp and general manager, was appointed president of the Snyder drug group.

With the retirement of R. L. Call as chairman of Sav-On, the Anaheim, Calif.-based division of the Jewel Cos., Sam Parker, president and ceo and a veteran Jewel executive, became the highest ranking Sav-On official. Jewel, which has no chairman at the divisional level, eliminated the chairman position at Sav-On.

At Big "B" Discount Drugs Inc., Birmingham, Ala., Bobby Little was named vp of store operations. Little succeeded John Wingard, former executive vp. Little, who began working for the chain in 1972 as a store manager, was vp of personnel prior to his new assignment.

Walgreens last year looked outside to fill one of its executive slots. The search culminated in Michael W. Hader, former vp of international manufacturing for Abbot International Ltd., assuming the post of director of manufacturing and executive vp of Walgreen Laboratories. Walgreens also promoted John Brown to vp in charge of physical distribution, manufacturing and the chain's Walgreen Agency division.

Eckerd also recruited outside its organization to fill the vp of operations position for American Home Video. Richard L. Bowen, former executive vp of finance and operations for Harzfelds Department Store of Kansas City, Mo., was named to the post.



David Bloom

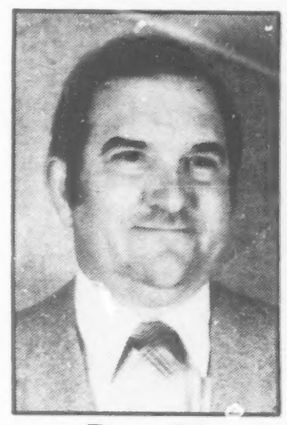
Kristy Delaney

At American Stores Co., headquartered in Salt Lake City, Utah, Larry L. LaRock was named executive vp and general manager of its Rea and Derick drug stores division. LaRock, former vp and Irvine, Calif., district manager of the Skaggs Cos., replaced former Rea and Derick president and ceo Val D. Buckmiller, who resigned for personal reasons.

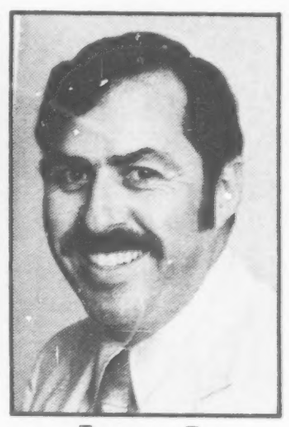
Revco D.S. Inc., in Twinsburg, Ohio, promoted Elliot Dworkin to vp of purchasing. Revco also appointed Jerry Wasserman vp of third-party programs. President and ceo Sidney Dworkin was named to the additional post of chairman following the death of Lee C. Howley.

Carls Drug was able to draw away Jim Whitticom from Walgreens, where he was divisional merchandising manager, to serve as senior vp of merchandising. Whitticom replaced Don Cardelle, who resigned early last year.

Hook Drug added the title of vp to Gayl W. Doster, the company's treasurer and chief financial officer.



Donald Beeler



Larry L. LaRock

The Stop and Shop Cos., which operate the Medi Mart chain of drug stores, made two key appointments during the past year. Carol R. Goldberg, former senior vp of the Stop & Shop Cos., was elected vp and coo of the company. The chain also named Robert J. Levin to the new post of vice chairman acquisition and development. Levin was formerly senior vp.

At Fay's Drug, three promotions were made on the vp level. David H. Panasci was named vp of real estate. Michael R. Winahradsky was appointed vp of distribution. Warren D. Wolfson, the company's general counsel and secretary, was also appointed vp.

McKesson Drug, based in Denver, appointed Joseph Polastri to the newly created post of senior vp of operations with nine regional vice presidents reporting to him. Polastri, a long-time employee of McKesson, was most recently regional vp/general manager of the Western region. George Momaney, formerly vp of sales merchandising, was promoted to senior vp, merchandising. Derek Hall was named senior vp, sales. Hall was most recently general manager of the Intermountain Zone.

FoxMeyer announced three executive appointments during the past year. Gary L. Wood, formerly regional controller for the Midwest area, was named corporate controller. Joseph G. Gschwendtner, who was vp of administration in Denver, was appointed corporate treasurer. Richard Lubke was made corporate vp/national sales manager.

PERFORMANCE

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Execs forecast sunny future

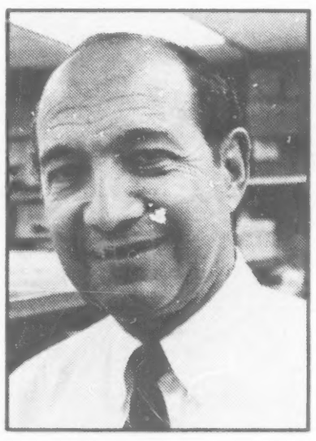
While 1982 was a difficult year for most retailers, many drug chains continued to grow at a rapid rate. Drug Store News *asked several top executives from across the country to evaluate their chain's performance during 1982. We also questioned them about what they see ahead for the remainder of 1983. Here are their observations:*

Sidney Dworkin
chairman, president & ceo
Revco D. S. Inc.

"Nineteen hundred eighty-two was a good year and it was a year of consolidation for our Skillern's acquisition. The results of the past year are further evidence that our industry is recession resistant.

"For 1983, we think we'll have an even better year if the remainder of the year is indicative of what has taken place up to now."

Alex Grass
chairman, president & ceo
Rite Aid Corporation



"We were very pleased to have achieved another record year, particularly in light of the current economy, and we are specially elated that in our first venture into another type of retailing that our achievement was beyond our expectations."

Robert M. Long
president & ceo
Longs Drug Stores Inc.

"In our fiscal year 1983 we still continued to grow, our 45th year of consecutive growth in sales and income. In spite of the year's recessionary environment, our store managers and their staffs were capable of producing these results. Our gross margins and salary and wage costs were maintained at about the same per cent as the previous year, and our sales per store and per square foot, in terms of floor space, continue to lead the industry.

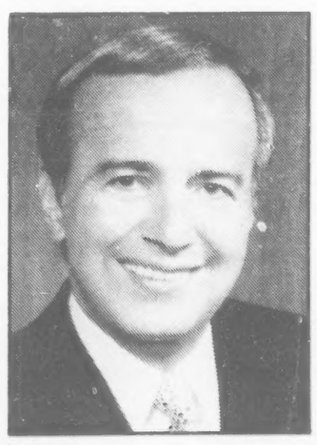
"For the remainder of the year, we are continuing to look at growth, putting in approximately the same number of stores (12) as the year before. We will be expanding our pharmacy computer system into many more stores and exploring the applications of our computer system for other than pharmacy applications. With consumer confidence improved, we look forward to increased service of the customer and growth."

Leonard Genovese
chairman & president
Genovese Drug Stores Inc.

"Nineteen-hundred eight two was super. We finished the year with an 18% increase in sales and a 48% increase in profits. We opened five stores and increased our sales per square foot to $255. Our middle of the store merchandise had a big impact on sales and profits.

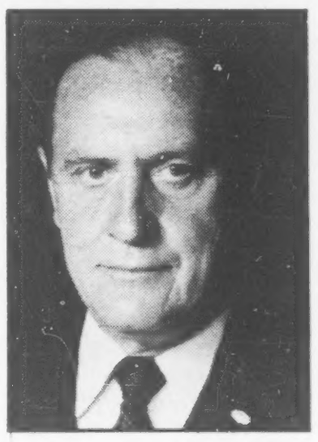
"I think 1983 will be as good as we make it. Now that the economy seems to be improving we have no excuses. The key, I believe, is to kick the hell out of sales and put a heel on expenses."

Henry A. Panasci Jr.
chairman & ceo
Fay's Drug Co. Inc.



Last year, of course, was the greatest year in the history of our company. However, it was not too surprising, since we had made a very concerted effort to reduce our expenses. In fact, our expense-to-sales ratio was reduced by 170 basis points. As far as the economy was concerned, last year was certainly bleak for most businesses. But drug stores—because our products are perceived by consumers as necessities—were able to produce outstanding results despite the poor conditions overall. General merchandise sales for us, as with many other chains, were flat during the year. But with signs of a strong recovery on the horizon, we anticipate this business will bounce back, which will bode well for our super drug type of stores. I think the chain drug industry as a whole is a very healthy industry, and in my judgment, 1983 will be an excellent year for most, if not all, the chains."

Fred F. Canning
president
Walgreen Company

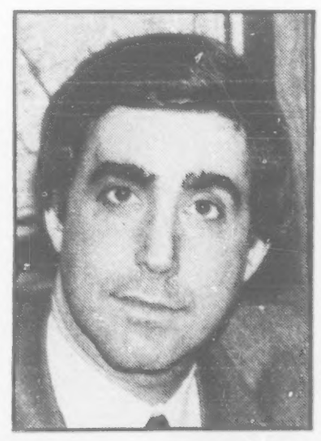


"Nineteen eighty-two was an outstanding year for Walgreens Co. Sales advanced 17% to a record $2.04 billion. Earnings were excellent, reaching a record $56,064,000. Walgreen's 1982 success reflects the strong operating performance of existing drug stores and freestanding Wag's restaurants. We also continued ambitious expansion plans during the year and opened 71 new drug stores and 12 new Wag's restaurants.

"We expect 1983 to be another very good year for Walgreens, despite lower equity income from our Mexican affiliate, Sanborns, which has been impacted by the peso devaluation. Our operating earnings are strong, and we look forward to record sales earning results for 1983.

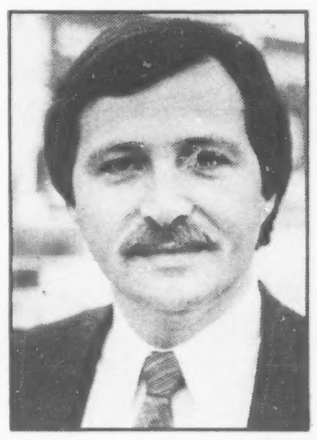
"We are continuing our aggressive store expansion and plan to open 80 new drug stores and 12 new Wag's restaurants by fiscal year end. Our expansion plans for 1983 are proceeding on schedule with 41 new drug stores already opened this year. Our new 200,000-sq.-ft. fully automated distribution center in Flagstaff, Ariz., begins operations this month, bringing the total number of company operated distribution centers to seven."

James Salmanson
vp marketing
Adams Drug Co. Inc.



"I think it's quite obvious from the reports coming out that everyone in the chain drug industry had an excellent year in terms of sales and profits. It was a difficult year for business in general, but I think the drug chains put across an outstanding performance. Their basic philosophy of convenient locations, wide merchandise selection, excellent prices and prescriptions, continue to give them an edge over other retailers. Considering the apparent turnaround in the nation's economy, I feel the chain drug industry can only have as good or better a year in 1983 as it had in 1982. It's been inherent in this industry to stay 'on top' of the business—to make the necessary changes as quickly and efficiently as possible. This is one major aspect setting us apart from many of the other retailers."

David Bloom
president & ceo
Shoppers Drug Mart



"Nineteen eighty-two was the most successful year in the history of our company for both sales and profits, thanks to our 'Thanks a Billion' marketing campaign.

"In the year 1983, the buzzword at Shoppers Drug Mart is productivity. Productivity is our operating style, our state of mind, our way of life. We have a dynamic management team to insure that our productivity targets are achieved for both people, assets, space and marketing. People will continue to be our most important asset."

Sheldon W. Fantle
president & ceo
Peoples Drug Stores Inc.

"We were very pleased with our progress in calendar year 1982 even though we were affected during the first half of 1982 by economic conditions and the weather, especially in the Midwest. The last quarter of 1982 was strong with comparable store figures indicating an increase of approximately 12%. And that trend has continued through the first quarter of 1983, and appears to be continuing in the second quarter.

"Because of the softened economy in the first half of 1982, we stressed very stringent inventory and expense control, but as the economy turned favorable and inflation sta-

Continued on page 78

PERFORMANCE

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Chain performance gets kudos

Continued from page 77

bilized, we took a more aggressive posture.

"We look for the balance of 1983 to be strong and feel that with the optimism that is appearing on the economic horizon the summer and fall seasons, including Christmas, will reflect continued growth. We are continuing our implementation of prescription terminals as well as implementing a new inventory management system utilizing IBM's Inforem II for forecasting purposes.

Robert Begley
chairman & president
Begley Drug Company

"Begley Drug Co. is optimistic about the economy and the availability of business to come this year. While we don't see any significant change in interest rates this year, we are hopeful rates will drop a point or two in 1983-84.

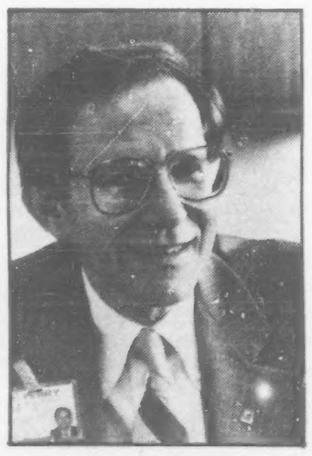
"We look for improved consumer confidence, particularly in United States products because of the tremendous emphasis being put on technology and technological progress in the United States today.

"Our emphasis for the coming year will continue to be on human resource development. We will be expanding all areas of our company, including our convalescent, convenience food and dry cleaning operations and Radio Shack stores.

"We expect home electronics to grow this year, especially telephones. In addition, sales of cosmetics, fragrances, prescription drugs and vitamins should be strong.

"In 1983, Begley Drugs will make a substantial investment in the remodeling of our stores. We believe that remodeling helps improve customer confidence.

Jack A. Robinson
chairman & ceo
Perry Drug Stores Inc.



"Perry sales last year, though below projection, were up 27% to a record $244 million. Net earnings declined 15% to $2,868,000. They were, however, the second highest earnings in Perry history, despite an economy stifled by high unemployment and dampened consumer buying attitudes.

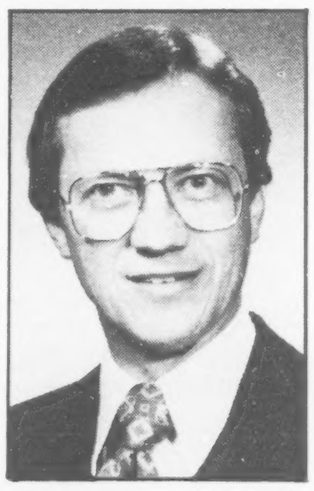
"This year much stronger sales are coming from seasoned stores and we have, moreover, reached a point in our store network growth where new stores constitute a smaller ratio of our total store count.

"Worthy of mention too is the way Perry prescription sales continue to grow. They increased last year to a record $41.9 million. In 1983, they are running at a pace better than 37% ahead of a year ago.

"We plan before 1983 year-end to install our pharmacy computer terminal system in up to 10 of our prescription departments.

"Perry in 1983 will continue to be on the lookout for acquisition opportunities, while also giving emphasis to making more profitable what we already have."

Mark Varnau
vp merchandising
Hook Drugs Inc.



"The economy is going to pick up this year because the political party in charge will make sure that it does because we're close to another presidential election.

"There is a big increase going on in OTC business, and specifically in eye care, vitamins and any product related to sports medicine. These are some of the areas we are going to take advantage of this year."

Harry Steck
sr. vp marketing
Gray Drug Fair

"Drug store consumers will continue throughout 1983 to be discreet in purchasing general merchandise and will be highly responsive to advertised specials for basic drug store core merchandise.

"There will be increased attention to health care, nutrition, self-medication and grooming needs. A relative increase in consumer expenditures for new automobiles and houses in 1983 will most likely have a negative effect on the sale of conventional high-ticket drug store merchandise."

William Ausenbaugh
executive vp
Ribordy Drugs Inc.

"We're optimistic about the end of the year. We think that there will be an upsurge in buying and that people will show more confidence.

"As for growth, we're planning to open a couple more stores before the end of the year and intensify our efforts in all areas of marketing and merchandising. In short, we intend to do whatever we must to get our share of the market.

"In the last few years, the American public has come to realize that they can get by without spending as much as they did. It's going to take a lot to get them to return to the level of spending of several years ago."

James Whitticom
sr. vp merchandising
Carls Drug Company Inc.

"I believe things will improve in 1983 and the consumer confidence level will grow, but certainly not back to the free-wheeling days of the late 1970's or early 80's.

"Our growth strategy will be to continue to concentrate on basics

"We've got to buy items that we are going to sell and try to get back as high a return on our assets as possible."

William Baxley
vp
Kerr Drug Stores Inc.

"We feel like the economy will continue to grow in our area. The reason is that we have an influx of high technology companies, military installations and universities situated here that create a stable economic sales base.

"In 1983, we will place an emphasis on the basics, but we are looking to other categories to expand sales. Telephones are one of the areas in which we see a lot of potential sales. We also intend to increase the level of sales from our existing customers through improved in-store merchandising and advertising.

"We will experience a rapid expansion in 1983 by opening six new stores by year-end, which would bring our total store count to 40."

Daniel Herrmann
president & ceo
Fay's Drug Co. Inc.

"In the early part of 1983 we expect to see more of the same recessionary environment that we experienced in 1982.

"We'll be looking more closely to the second half of 1983 and in particular to the fourth quarter and if we notice a significant upturn we'll be able to react to it. But until then our buying will remain at the same level as 1982.

"I don't see the consumer changing very drastically. Consumers have acquired some sharp buying habits and they are not going to change overnight."

"There will be a greater emphasis on price value relationship, which should have more credibility in 1983 because of disinflation."

David Eisenberg
sr. vp marketing
Peoples Drug Stores Inc.

"Inventories are still going to be a primary concern. Emphasis is still going to be on turns and return on investment analyses. We will cut out nonprofit sku's and continue fine-tuning our assortments and assortment planning.

"Seasonal merchandise has been very good to us in 1982, and so far in 1983, and I think we can take deeper advantage of this profitable area. Certainly, the areas of nutrition are still growing. Greeting cards will continue to do very well as we experiment with different size departments.

"I look for a continuing improvement in the economy, stabilization of interest rates and a modest improvement in consumer confidence during the remainder of 1983."

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Chains sharpen marketing skills

During 1982, drug store chains sharpened their marketing strategies and directed a great deal of effort to stress the professionalism of the drug store.

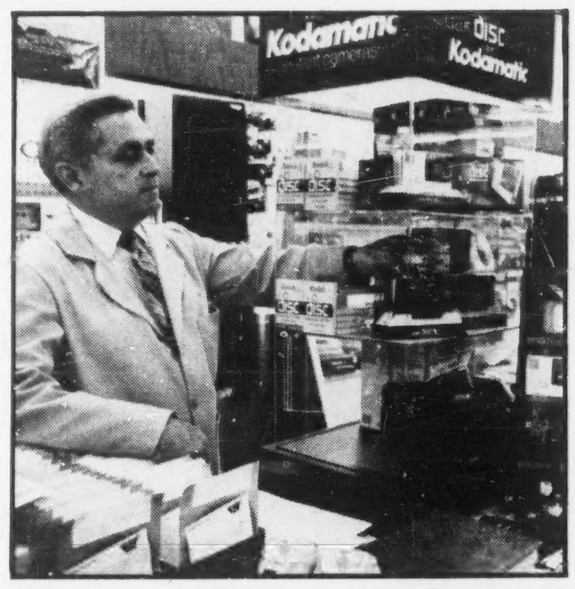
In light of the fact that many supermarkets now sell proprietaries and prescriptions along with health and beauty aids, drug stores found the need to differentiate themselves from food stores. Many launched advertising campaigns stressing not only selection and price, but also service provided by pharmacists and pharmacy terminals.

The 16.1% jump in 1982 Rx sales and the 11.1% rise in drug/proprietaries volume was partly the result of these efforts. Following is a breakdown of the performance of the major drug store categories.

Breakout of 1982 chain drug sales

Department	Total chain drug $ volume	% of increase	% of total sales	Gross margins	Avg. no. of turns
Prescriptions	$5,250,606,000	+16.1	18.3	35% to 40%	6.5
Drugs/Proprietaries	4,385,294,000	+11.2	15.3	30% to 35%	5.0
Toiletries	3,321,811,000	+ 8.2	11.6	25% to 30%	5.0
Cosmetics	1,637,552,000	+ 8.9	5.7	35% to 40%	2.2
Stationery	1,425,559,000	+ 8.3	5.0	40% to 45%	4.5
Tobacco	2,561,774,000	+ 6.1	8.1	15% to 20%	15.0
Candy	1,074,168,000	+ 5.3	3.7	25% to 30%	5.5
Housewares	2,115,023,000	+ 7.8	7.4	35% to 45%	3.0
Toys	900,268,000	+ 5.6	3.1	35% to 40%	4.0
Photo	1,312,916,000	+12.3	4.6	20% to 25%	9.0
General Merchandise	1,533,321,000	+ 7.1	5.4	35% to 45%	5.0
D-I-Y	761,104,000	+11.2	2.7	35% to 45%	3.0
Grocery/Liquor	1,611,037,000	+ 5.9	5.6	15% to 20%	12.0
Misc./Promotional	769,243,000	N/A	2.7	15% to 20%	N/A

Source: *Drug Store News* survey



Cameras, photo processing and film proved to be a hot property for drug stores last year. The 12.3% category sales gain was the second-highest sales gain behind prescriptions.

Prescriptions—Prescriptions recorded total sales of $5.3 billion last year, a whopping 16.3% jump over 1981. The sales volume was boosted by both higher unit movement and a 13% price increase for pharmaceuticals. Prescriptions now account for 18.3% of total chain drug sales of $28.6 billion, up significantly from last year, when 17.5% of the business was transacted at the Rx counter.

Drugs/Proprietaries—This category registered a sales gain of 11.2% last year to $4.4 billion. Sales in drugs/proprietaries were spurred by the conversion of several products to OTC status. The trend to OTC will benefit this category in 1983 and proprietaries are likely to capture an even larger share of the chain drug business than the 15.3% recorded in 1982.

Toiletries—With an increase in traditional categories such as proprietaries and pharmaceuticals came a strong year for toiletries. Sales of toiletry items rose 8.2% to a total of $3.3 billion. This category produced 11.6% of the total volume and is the third-strongest sales producer behind prescriptions and drugs/proprietaries. It is important to note that drug chains managed to gain, while there are indications that supermarkets are slipping in toiletry unit movement.

Cosmetics—Efforts to capture a greater market share in cosmetics helped drug chains improve cosmetics sales. Volume in 1982 totaled $1.6 billion, up 8.9% over last year. Many drug chains upgraded the mix and department look last year hoping to woo more shoppers. Cosmetics account for almost 6% of total sales. Treatments, fragrances, nail products and bath preps were among the fastest growing sector of cosmetics.

Stationery/greeting cards—This important category grew in sales 8.3% to $1.4 billion. Much of the sales growth may be attributed to the popularity of hot licensed products such as Smurf and Pac-Man.

Tobacco—Drug chains managed to record a 6.1% rise in tobacco sales last year, despite national decline of 1.3% in the dollar volume of tobacco. This category produced sales of $2.6 billion and represents over 8% of chain sales.

Candy—Tampering scares shook up the candy business at Halloween last year. However, drug chains managed to secure a 5.3% sales increase by shifting buying habits and promoting candy. Sales reached almost $1.1 billion and candy, with a 3.7% share of the business, is still an important category for the drug store.

Housewares—Chain drug housewares sales advanced 7.8% to $2.1 billion, making housewares one of the top dollar producing categories in drug stores. Lifestyle merchandise, including plants, furniture, storage items, gourmet kitchen goods and clocks, fared well last year.

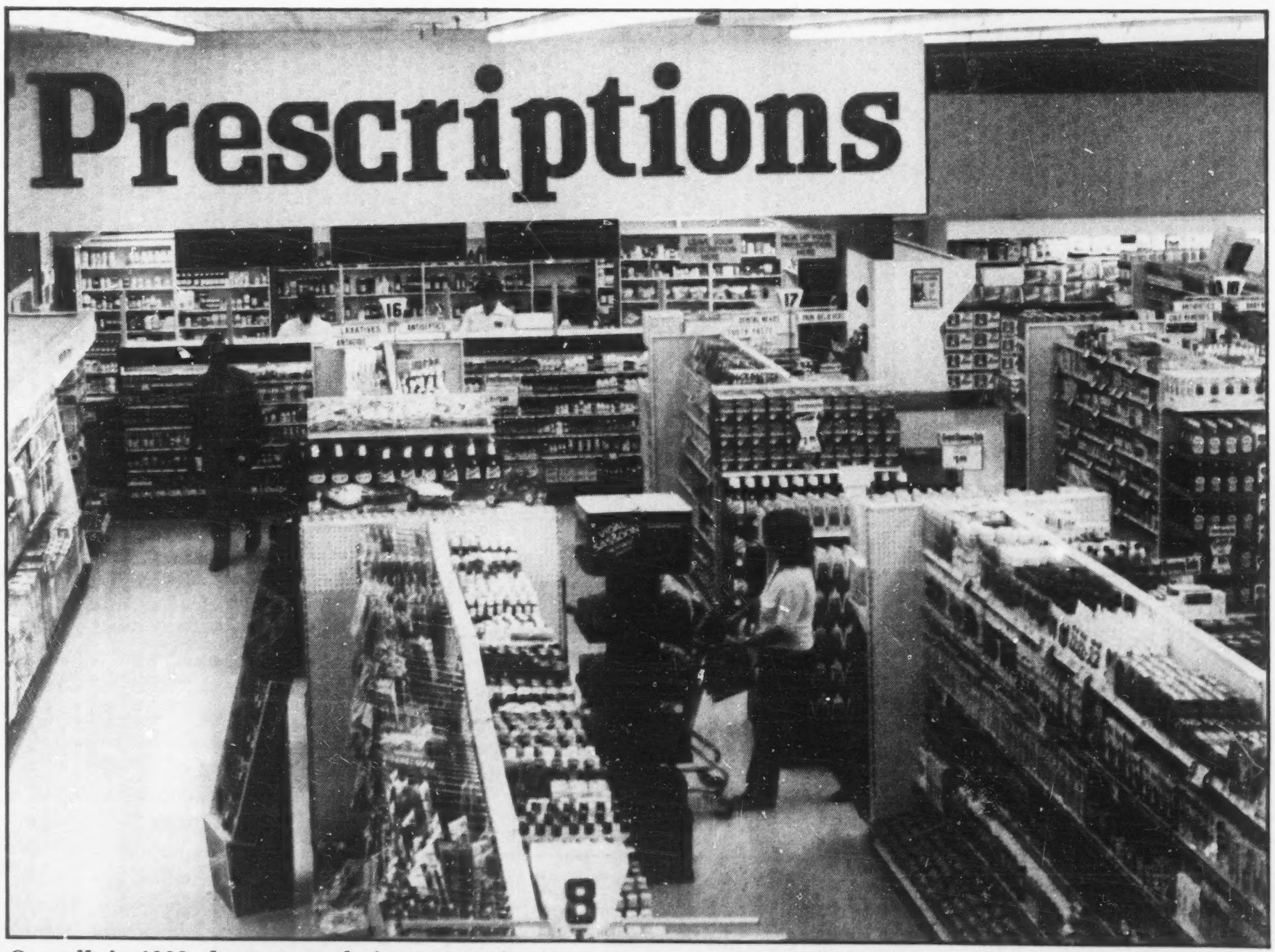
Toys—Electronics took over in toys in 1982, helping to push chain toy sales 5.6% to $900.3 million. Ignited by the popularity of video games, toys should come close to reaching the $1 billion mark.

Photo/incl. processing—This category is a hot property for drug chains—sales jumped a hefty 12.3% last year. This was the second-highest sales gain behind prescriptions. Pacing growth in this $1.4 billion market for chains was the Disc camera and photo processing. The photo category now represents 4.6% of chain volume.

General merchandise—General merchandise sales rose 7.1% to $1.5 billion as chains added and improved the general merchandise mix to reflect shopper's needs. General merchandise accounts for 5.4% of overall volume.

Do-it-yourself—Thanks to gains made by the auto department, DIY sales jumped 11.2% to $761.1 million. DIY maintained its market share and still accounts for 2.7% of chain drug sales.

Groc./food/liquor—Growth of this category slowed down a bit last year. After showing a 13.5% sales advance last year, sales rose only 5.9% in 1982. Total sales reached $1.6 billion and chains are still bullish about the potential of this category. Several chains enlarged food sections or created mini-food departments during 1982. Food produced 5.6% of overall volume.



Overall, in 1982, drug store chain garnered sales increases in every category.

PRODUCTS

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Chains jump into computer arena

Pharmacy computer systems made a significant impact on chain drug stores in 1982, as a number of companies, including Thrift, Fay's, Medicare-Glaser, Pay Less NW and Big B, completed or nearly completed chainwide installation.

"In all my experience in pharmacy, computers are the most dramatic innovation I've seen," said John Young, a Pay Less executive. "Our pharmacists say they wouldn't do without their computer systems."

As a result of improved management capabilities, more drug chains than ever are jumping into the pharmacy computer arena. Walgreens, for example, has 500 of its stores on a communicating stand-alone Intercom system. And the balance of the chain's more than 800 drug stores will have computers in place late this year.

"We just completed training in our Miami-area stores," said Janet Kelly, a spokesman for the chain. "Tampa and Orlando are next on the agenda."

Revco has added computers to its 70-store base and plans to add 480 more. "We found that computers make a big impact," said an executive for the chain which has the largest number of drug stores in the world. "Pharmacists now tell us that if their computer is removed, they'll go with it."

Longs, Peoples, SupeRx, Eckerd, Thrifty and Medicine Shoppe International were other companies in various phases of pharmacy computer development last year.

Longs expects to have its pharmacy departments totally computerized by adding one store a week to the lineup. One of the chain's main goals is the generation of "actionable" data.

"The creation of management information by our computer systems is a major benefit at store level," said Steve Roath, vp and director of professional affairs. "It will improve our ability to manage at store level."

Executives at the Walnut Creek, Calif.-based chain eventually want to include sales data, purchasing history, space allocations and ROI information in the system.

Peoples Drug Stores, realizing that training represents a major contribution to a computer system's success, have established a program in its Toledo, Ohio-based Lane division. The coordinator in charge of training is also responsible for development and installation of terminals at store level.

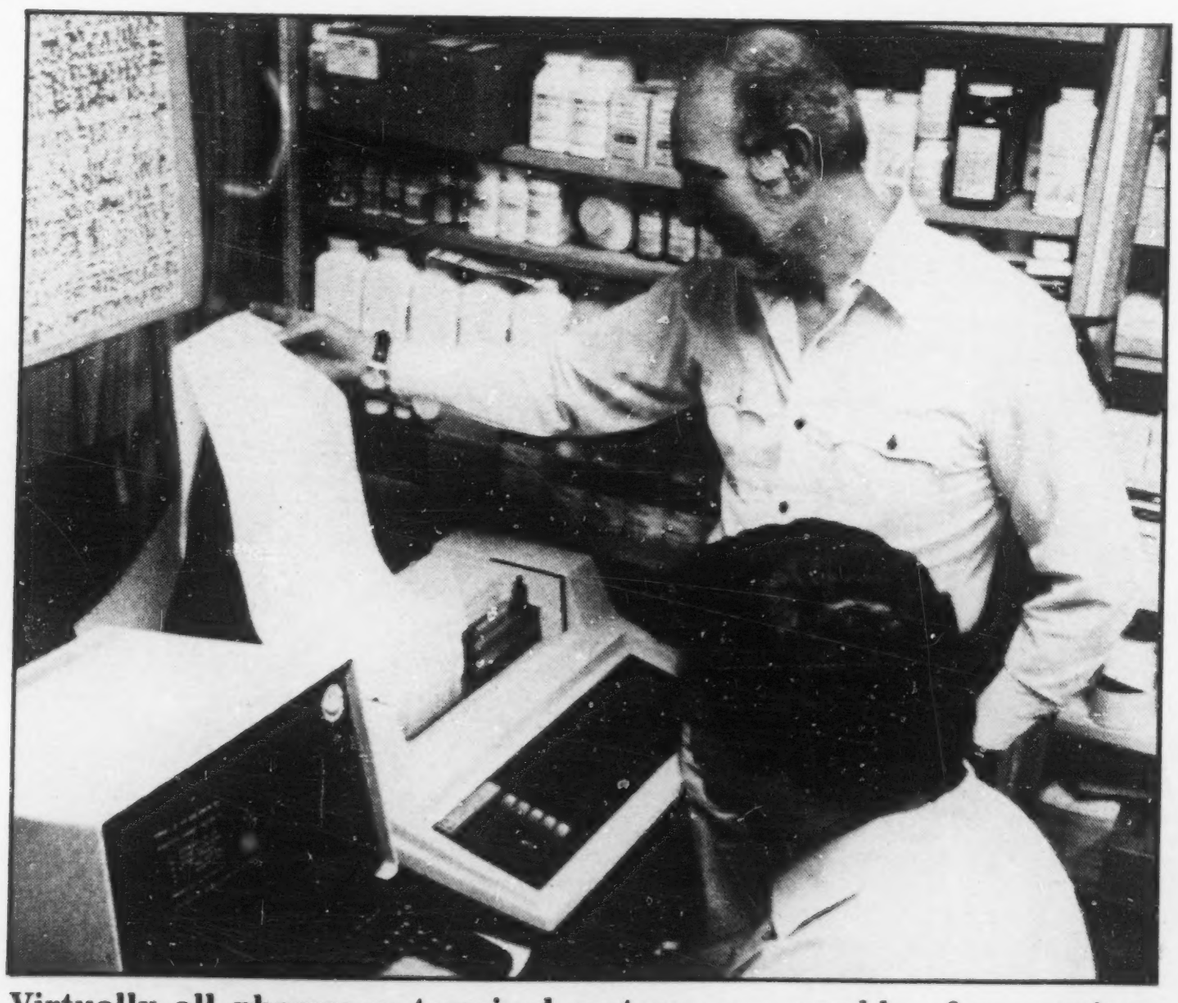
SupeRx has completed evaluation of a stand-alone system and has set a target of 200 installations a year. The Kroger drug store division initially began installing systems in its Ohio stores. A nursing home package, which adds to the system's capabilities, is planned for the future.

Eckerd, in addition to expanding its pharmacy computer system, is also looking at more electronic management aids. The chain rolled out its hand-held electronic order system in its Delaware division and in the Charlotte, N.C., district. By the end of 1983, it's predicted the system will be chainwide. The EOE devices reduce out-of-stock positions and increase productivity at store level by cutting order cycle time. With the system, it's possible to obtain an order from the chain's warehouse within three days after store inventory is keyed in.

Pharmacy computer installations 1981 vs. 1982

Chain	Location	1981	1982
Albertson's Southco	Orlando, Fla.	30	60
Apex Drugs	Novi, Mich.	0	27
Arbor Drugs	Troy, Mich.	0	28
Austin Drugs	Hicksville, N.Y.	0	1
Bartell Drug Co.	Seattle, Wash.	4	6
Begley Drugs	Richmond, Ky.	0	4
Big B	Birmingham, Ala.	72	83
Big V Pharmacies	London, Ontario	20	28
Boots Drugs	Toronto, Ontario	10	12
Crown Drug	Advance, N.C.	0	1
Drug Fair New Jersey	Branchburg, N.J.	20	20
Eckerd Drug Company	Clearwater, Fla.	5	20
Fay's Drug Company	Liverpool, N.Y.	84	92
Grand Central Inc.	Salt Lake City, Utah	11	11
Gray Drug Fair	Cleveland, Ohio	15	31
Harco Drug Inc.	Northport, Ala.	0	1
Hook Drugs	Indianapolis, Ind.	18	31
Keltsch Brothers Inc.	Fort Wayne, Ind.	1	5
Kinney Drugs	Gouverneur, N.Y.	15	23
Lewis Self-Service	Sioux Falls, S.D.	5	5
London Drugs Ltd.	Richmond, British Columbia	9	18
Long's Drug Company	Walnut Creek, Calif.	0	11
May's Drug Stores	Tulsa, Okla.	7	10
Medicare-Glaser	St. Louis, Mo.	40	44
Medicine Shoppe International	St. Louis, Mo.	31	76
Muir Drugs	Grand Rapids, Mich.	12	21
Otto Drugs	Louisville, Ky.	3	9
Pathmark	Woodbridge, N.J.	2	5
Pay 'n Save	Seattle, Wash.	75	90
Peoples Drug Mart	Vancouver, British Columbia	0	18
Perry Drug Stores	Pontiac, Mich.	15	15
Peterson Drug Company	Oakfield, N.Y.	1	1
Pharm-Escomptes Jean Coutu	Longueil, Quebec	62	62
Revco Drugs	Twinsburg, Ohio	10	70
Ribordy Drugs	Valparaiso, Ind.	3	7
Rite Aid Corp.	Shiremanstown, Pa.	0	36
Rix Corp.	Auburndale, Mass.	0	2
Sentry Drug Stores	Romulus, Mich.	5	11
Shoppers Drug Mart	Toronto, Ontario	25	56
Standard Drug Co.	Richmond, Va.	0	1
SupeRx Drug Co.	Cincinnati, Ohio	32	42
Super X Drugs Ltd.	Downsview, Ontario	7	13
Thrift Drug Company	Pittsburgh, Pa.	250	320
Thrifty Drug Stores Inc.	Minneapolis, Minn.	3	4
Tom Thumb-Page	Dallas, Tex.	4	4
Walgreen Company	Deerfield, Ill.	50	450
White Drug Enterprises Inc.	Jamestown, N.D.	2	2

Source: *Drug Store News* survey



Virtually all pharmacy terminal systems are capable of processing scripts and third-party information as well as handling patient profiles, drug interactions and price updates. Labels and customer receipts are also generated.

Going a step further, Eckerd also tested an electronic purchase order system designed to speed processing from the chain's warehouse computer through an intermediary to a vendor's order-entry system. The three-way purchase order system is designed to cut vendor delivery time significantly, decreasing out-of-stocks and increasing inventory turnover.

"We want to maximize sales and minimize inventory," said the chain's merchandising manager.

Thrifty Drug has also tested an in-store computer system. At the end of the year the chain began evaluating a second system with additional applications, including energy management and electronic payroll reporting.

Other chains, such as Gray Drug Fair, Pay 'n Save and Rite Aid have continued testing and/or installing pharmacy computers.

Growth in the pharmacy computer field has not been limited to the United States. Chains north of the border have also expanded their computer counts. As in this country, emphasis is on processing third-party scripts. Shoppers Drug Mart, Pharm-Escomptes, Big V, Peoples Drug Mart, Super X Drugs Ltd., London Drugs Ltd., and Boots have pharmacy computer systems operating in their stores.

Virtually all the pharmacy terminal systems are capable of processing scripts and third-party information as well as handling patient profiles, drug interactions and price updates. Labels and customer receipts are also generated.

With the capture of computer-generated data, more and more chains are discovering they have a treasure trove of information at their disposal. And with such data available, drug chains are seeing the emergence of a key new executive—the management information systems (MIS) specialist.

During 1982, MIS specialists communicated more with decision-makers than at any time in the past. Their interpretation of computer data played a large role in operations, merchandising, distribution and pharmacy.

In short, computers gave senior managers a powerful tool to improve bottom-line performance.

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Higher counts, prices pep up Rx

A higher script count and increased prices propelled chain drug prescription sales to a 16.1% gain last year. According to a *Drug Store News* survey, the price of an average script increased more than $1.10 to $10.17, while a typical chain drug store dispensed 126 scripts a day. What's more, the average chain pharmacy unit generated $1,281 in revenue a day.

The main impetus behind the industrywide sales surge was the number of new pharmaceutical product launches. "New products costing a lot more money set this past year apart," said the professional director of one major chain.

Another executive added that 1982 was one of the few times in history that advancing prescription prices outstripped the consumer price index (CPI). During 1982 the CPI for urban consumers climbed 3.9% while the producer price index (the prices manufacturers charge pharmacies and wholesalers) increased 11.7%. The CPI for drugs climbed 12.2%.

In the past, price gains of consumer goods far outstripped the price index for drugs. But with new products costing retailers upward of 30¢ to 50¢ per dosage unit, the CPI disparity disappeared.

The new products produced some important spinoffs too—a shift to OTC products and cost containment from third parties.

Along with the addition of many new products to pharmacists' shelves, industry shifted some traditional prescription-only drugs to OTC status.

And as more and more products are slated for OTC status, an increasing number of consumers are consulting their pharmacists about the correct use of these seemingly new drugs—yet another spinoff of the new drug blitz.

Consumers concerns are obvious: OTC products can potentially cause interactions with prescription products and others demand special information.

It is estimated that in more than 95% of all cases where they perceive health problems, consumers don't consult physicians. Since pharmacists are usually the last professionals to see consumers before drug treatment begins, they can play a major role in patient care. "When an OTC is purchased, pharmacists must be prepared to provide clinical and product information," said James T. Doluisio, former chairman of the American Pharmaceutical Association.

Recognizing this trend, chain drug companies have offered consumers additional information about their OTC as well as their prescription drugs.

Direct-to-consumer chain advertising about prescription drugs represents a third spin-off of the new product boom. Several major drug chains have initiated consumer information programs. Peoples ran newspaper ads featuring acyclovir as a treatment for herpes.

After receiving F.D.A. clearance, Eckerd established a prebooking system which encouraged consumers to bring acyclovir scripts to stores even though the product wasn't carried in stock. After the launch when product was available, pharmacists contacted patients advising that the drug was in stock and could be acquired.

And on the West Coast, Pay 'n Save tried to attract pharmaceutical manufacturers to join a program of direct public service advertising aimed at the chain's customers. The advertising, consisting of five commercials and a print campaign, focused on the positive aspects of medicines.

Meanwhile MSD and Boots bypassed their more traditional physician-only approach when products such as ibuprofen and pneumovax were launched.

Roche and Pfizer used an institutional approach instead in their direct communications with consumers. Pfizer pushed its "Healthcare Series" and Roche emphasized its "How to Books." Both public service campaigns were designed to inform consumers about drug treatment options, disease etiology and improved health care.

Another spinoff resulting from the launch of new products was third-party administrators' efforts to contain costs. Perhaps because third-party scripts increased during 1982, chain executives say they are faced with one form of cost containment program after another.

Other executives expressed anger that some third-party administrators are pushing the concept of "usual and customary" or "cost plus a fee"—whichever is a lower concept. Execs say the insurance industry will have a fight on its hands if the "lower-of" concept is implemented.

Selected new drugs launched during 1982*

Generic Name	Brand	Therapeutic Use
acyclovir	Zovirax	Antiviral—herpes
benoxaprofen	Oraflex	Anti-inflammatory
diflunisal	Dolobid	Analgesic/Anti-inflammatory
diltiazem	Cardizem	Antianginal (calcium channel blocker)
estramustine phosphate sodium	Emcyt	Antineoplastic
gemfibrozil	Lopid	Agent for hyperlipidemia
guanabenz acetate	Wytensin	Antihypertensive
isotretinoin	Accutane	Antiacne Agent
malathion	Prioderm	Pediculicide
niclosamide	Niclocide	Anthelmintic
nifedipine	Procardia	Antianginal (calcium channel blocker)
pindolol	Visken	Antihypertensive (beta blocker)
prioxican	Feldene	Anti-inflammatory
sulfadoxine/ pyrimethamine	Fansidar	Antimalarial
trazodone HCl	Desyrel	Antidepressant

*These are new chemical entities. Other products in unique dosage forms such as nitroglycerine patches—Nitrodisc, Nitro-Dur, and Transderm Nitro—were also launched during 1982. New drugs available only via an injectable route of administration are omitted from this list.

Average script tops $10

	1982	1981	1980
Average Rx price	$10.17	$9.04	$7.72
Average scripts per store	126	122	119
Average daily volume per store	$1,281	$1,103	$842
% new scripts	55	53	55
% refills	45	47	45

Source: *Drug Store News* survey

Home health mkt. beckons

Drug chain execs are focusing more attention on home health care lines in an effort to take advantage of two important trends:

(1) The growth of that segment of the American population that requires more home health products and services—the elderly, and (2) the increasing emphasis on home health care as an alternative to expensive hospital and nursing home care.

Home care services are one of the few areas that remain untouched by Reagan Administration health care cost cutters.

Industry observers agree that the key reason for their optimism about market growth is the aging of the population, since at least 50% of the portion of those over 65 who require home care service aren't getting it.

"With adults living long, the market for health-related devices will continue to grow by leaps and bounds," says one chain drug exec.

In addition to the aging of the population, another factor contributing to the market's growth is the consumer's desire for self-sufficiency.

As one chain drug exec puts it: "When an alternative exists, patients resist being confined in hospitals."

The need to be self-sufficient and ambulatory is reflected in unit sales of some of the leading home health care products. Wheelchairs and ambulatory aids are the largest unit volume products, according to the exec, and bath safety equipment places in the top 10.

Says the exec: "It may be psychological. Patients feel an extra measure of security and support with these devices."

Industry sources say the leading convalescent aid categories in terms of dollar volume include hospital beds, incontinence products, ostomy supplies; orthopedic garments/appliances, oxygen units, rehab/exercise equipment and TENS units.

Self-diagnostic equipment is also considered an integral part of the retailer's merchandise mix. This includes blood-pressure monitors, blood-glucose detection devises, thermometers, stethoscopes, and pregnancy test kits.

Interest in these products can be traced to patients' desire to monitor and control their conditions. Drug execs are increasingly stocking such items in the home health care centers.

Chains involved in the home health care market include Hook Drug, which sells such products through eight freestanding units plus convalescent aid sections in each drug store; Begley Drug, which markets products in four home health care centers; Eckerd, which has two freestanding stores and plans for a third; Peoples, which will soon open its second freestanding unit while searching for other locations. Revco, Walgreens and Rite Aid all operate one unit each.

Health care services are one of the few areas that remain untouched by Reagan Administration cost cutters.

PRODUCTS

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Diet concerns boost OTC dept.

Strong gains in vitamins and weight reduction products—the result of increasing concern over total body fitness—led the way to an 11.2% advance in chain drug proprietary department sales last year.

Proprietary sales reached $4.4 billion, and with average gross margins in the 30% to 35% range, the department yielded as much as $1.5 million in gross profit dollars for the chain drug industry.

While the Food and Drug Administration's OTC Review Board—which authorizes prescription drug switches to OTC status as well as approving ingredients for OTC use—was responsible for some of the sales growth, the real impact of the OTC switches will not be felt until this year.

Vitamins led the proprietary department with a 13.4% gain in sales, followed by reducing products, family planning products, baby needs, cough/cold, feminine hygiene, and dental items.

Dominating the department, vitamins garnered nearly $440 million in chain drug sales. Recognizing the potential in this category, more chains are devoting entire areas or displays to the "healthy" consumer image associated with vitamin use. Pharmacists are being used as the strong professional backup needed to counteract efforts by supermarkets to muscle in on this huge market. Strategic location of vitamin counters near the pharmacy department and expanded selections are both aimed at promoting drug stores as the professional and complete vitamin source.

Because of price shopping by consumers, private label vitamin sales were up in 1982, but branded products still represented the biggest share of drug store vitamin sales.

Cold capsules and tablets, with 8.3% of department volume, were up 11.9% over 1981 figures to $363.8 million, as some products were shifted from prescription status to OTC.

1982 Proprietaries department highlights

Chain drug proprietaries sales	$4,385,294,000
1982 percentage gain	+11.2%
Percentage of total chain drug sales	15.3%
Typical gross margins	30% to 35%
Industry gross profit yield from proprietaries last year	$1,315,-$1,535,000,000
Average no. of annual dept. turns	5

1982 Proprietaries department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Analgesics	$414,007	+10.6	9.4
Dental/toothpaste/ powder/dentures	402,424	+11.4	9.2
Vitamins	439,672	+13.4	10.0
Baby needs/diapers	376,771	+12.2	8.6
Cold caps/tabs	363,757	+11.9	8.3
Antacids	296,979	+ 9.7	6.8
Fem. hygiene/ pregnancy tests	323,973	+11.6	7.4
First Aid	269,006	+10.1	6.1
Laxatives	268,087	+10.5	7.9
Cough syrups/ expectorants	258,926	+11.1	5.9
Reducing products	192,269	+12.4	4.4
Footcare products/ misc./athlete's foot	137,083	+11.1	3.1
Mouthwash/breath products	147,390	+10.6	3.4
Lozenges/rubs/nasal sprays	108,147	+ 9.2	2.5
Prophylactics/family planning	152,421	+12.4	3.5
Ointments/acne preparations, creams & suppositories	64,762	+ 6.1	1.5
Wet & Drys	30,728	+ 4.3	0.7
Miscellaneous	138,769	+10.6	3.2

Source: *Drug Store News* survey

The analgesics category was off slightly from 1982 as a percentage of total department sales, partly reflecting the fallout from the Tylenol incident of late fall. Renewed confidence in this, as well as other newly repackaged products, will be better reflected in 1983 sales figures.

Baby care items captured more of the proprietaries department sales in 1982, and industry sources predict that sales in this area will continue to grow at a rate of about 15% per year.

Though diapers and formulas are high-turn items, stiff supermarket competition forced drug chains to cut margins for these products. Sundry items, such as disposable bottles, nipples and pacifiers, brought in margins of 40% and more. These accessory items were responsible for much of the category's gains and drug chains acknowledged this by placing more emphasis on the sundry area.

Industry sources predict that sales of baby needs will continue to grow at a rate of 15% a year.

Feminine hygiene, cough syrups and footcare products were all up more than 11% in sales over 1981. With sales steady at 7.4% of the department, feminine hygiene carried $324 million in store sales. Cough syrups and expectorants were up by 11.1% in 1982 to $258.9 million and footcare was up by 11.1%.

Reducing product and prophylactic sales each increased by more than 12% in 1982 and now account, respectively, for 4.4% and 3.5% of department sales. While diet aids are considered a seasonal item, more concern with total body fitness has strengthened this category's sales.

Family planning products, such as contraceptive foams, gels, suppositories and condoms, showed sizable growth at 12.4%. More outfront marketing and promotion of these items partly accounts for the advance. Chains identified the category as a viable source of revenue, if promoted tastefully.

Until now, most prescription to OTC switches affected the cough and cold area, but 1983 reviews will also cover analgesics, many topical products, foot care, weight control, acne products and dental needs.

Mouthwashes and lozenges showed moderate growth in 1982, as sales rose 10.6% and 9.2% respectively. Though not leading the department in sales, the ranking of these two categories held stable within the department at 3.4% of department sales for mouthwashes and 2.5% for lozenges.

A traditional drug store category—ointments and acne products—showed modest gains in 1982 of 6.1% over 1981 sales. At $64.7 million for chain drug stores, the category maintains a 1.5% share of department sales.

Dominating the proprietaries department, vitamins garnered nearly $440 million in chain drug sales.

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Ethnic, skin care pace toiletries

Pacing toiletry sales in 1982 were two categories which have been coming on strong in the past few years: skin care and ethnic products.

Sales of handcreams and skin care products rose 10.1% to $395.5 million in chain drug stores last year—the greatest increase within the category. This area now accounts for the largest percentage, 11.7%, of the $3.3 billion toiletry market.

Skin care has become such an integral factor in the toiletries market because of an increased concern for body care, not only on the part of women but also men.

Meanwhile, sales of ethnic hair care items continued on an upward trail. The trend was aided by the fact that more and more chains decided it was time to add ethnic products to the mix or enlarge their ethnic selection. Ethnic hair care items are in demand—they add exclusivity to the store and provide margins higher than conventional hair items. Walgreen and Osco are two chains that have enlarged their ethnic mix, and Revco has also recently made a greater commitment.

The result was a 10.1% jump in sales of this category, including black and Hispanic cosmetics. The category generated $205.8 million in chain drug sales and accounted for 6.2% of department sales. Fueled by popular hair styles such as the curly look, ethnic should continue to be a strong performer at drug chains.

Sun items hot

Groups such as the Skin Cancer Foundation have done a good job of alerting customers to the dangers of overexposure to the sun. But it's not just the threat of cancer that has increased consumer concern. It's also the aging effects of the sun. As a consequence, suntan/sunburn products are moving off shelves. In 1982, chain drug stores reaped sales of $153.5 million in this area, a 9.9% increase over 1981. This category now accounts for 4.6% of toiletry sales. Retailers note that the biggest gains are being produced in the sun block areas and in tanning lotions with high SPF (sun protection factors). Many customers buy more than one suntan product because they purchase lower SPF's as their tans get darker.

1982 Toiletries department highlights

Chain drug toiletries sales	$3,321,811,000
1982 percentage gain	+8.2%
Percentage of total chain drug sales	11.6%
Typical gross margins	25% to 30%
Industry gross profit yield from toiletries last year	$830,-$997,000,000
Average no. of annual dept. turns	5

1982 Toiletries department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Handcream/skin care	$395,451	+10.1	11.7
Deodorants	388,962	+ 8.5	11.7
Men's toiletries	386,557	+ 8.1	11.6
Shampoos	354,674	+ 7.9	10.8
Hair color	319,752	+ 7.6	9.6
Rinses & conditioners	227,047	+ 8.1	6.8
Body creams & lotions	153,452	+ 7.8	4.6
Ethnic (incl. black cosmetics)	205,750	+10.1	6.2
Hair notions	131,701	+ 7.3	4.0
Razors/blades incl. disp.	158,464	+ 8.3	4.8
Hair sprays	129,112	+ 8.1	3.9
Suntan/sunburn	153,464	+ 9.9	4.6
Shave creams	48,267	+ 6.7	1.5
Perms/straighteners	27,704	+ 4.8	0.8
Depilatories	11,272	+ 2.9	0.3
Miscellaneous	225,527	+10.5	6.8

Source: *Drug Store News* survey

Deodorants, long the dominant force in toiletries (but now unseated by skin care), continued to pack a wallop in chain drug stores, with sales up 8.5% to $389 million. Deodorants receive a great deal of department space allocation and produce 11.7% of toiletry sales. Roll-ons, sticks and nonaerosol formulations continue to be favored.

Hair wars continue in hair care with hordes of new products introduced yearly and no clear market leaders in this dynamic category. Chain drug sales for 1982 rose 7.9% in shampoos, 8.1% in rinses and conditioners, 7.6% in hair color, 4.8% in perms and 8.1% in hair sprays.

While shampoos accounted for 10.8% of sales, conditioners are rapidly gaining in popularity. Most people now use both a shampoo and a conditioner. Conditioners and rinses, with sales reaching $227 million, represented 6.8% of all sales. Shampoos checked in at $359.7 million last year.

The best-selling shampoos and conditioners were those aimed at specific hair needs as well as those that got their start in professional beauty salons.

Hair color remains a strong category at drug stores. This is because while consumers are accustomed to buying shampoos or conditioners at supermarkets, few of them really feel comfortable buying hair color products at a food store. What's more, the selection is usually limited at supers. Thus, 1982 hair color sales rose 7.6% to $319.8 million. The hair color category is due for growth because of the increasing number of older people—prime customers—in the population.

Hair sprays had been stagnant for many years as women rebuffed the stiff look. But companies have since reformulated the sprays to provide a more natural result. Spray sales in chain drug stores increased 8.1% to $129.1 million.

Perms and straighteners, however, failed to match the hefty sales gains posted in other years when the home perm craze was at its zenith. Chain drug perm sales rose only 4.8% to $27.7 million last year. Drug stores, though, still account for about 60% of the perm business. Many retailers expect perms to show a resurgence in 1983, however.

Hair notions rose 7.3% as chains enlarged the selection to offer two-tiered pricing. Colored combs and other decorative barrettes were popular.

Men's toiletries had a respectable year, increasing 8.1% to $387 million. This category accounted for 11.6% of total sales. Retailers report that toiletry items are a staple department and the essential products must be available.

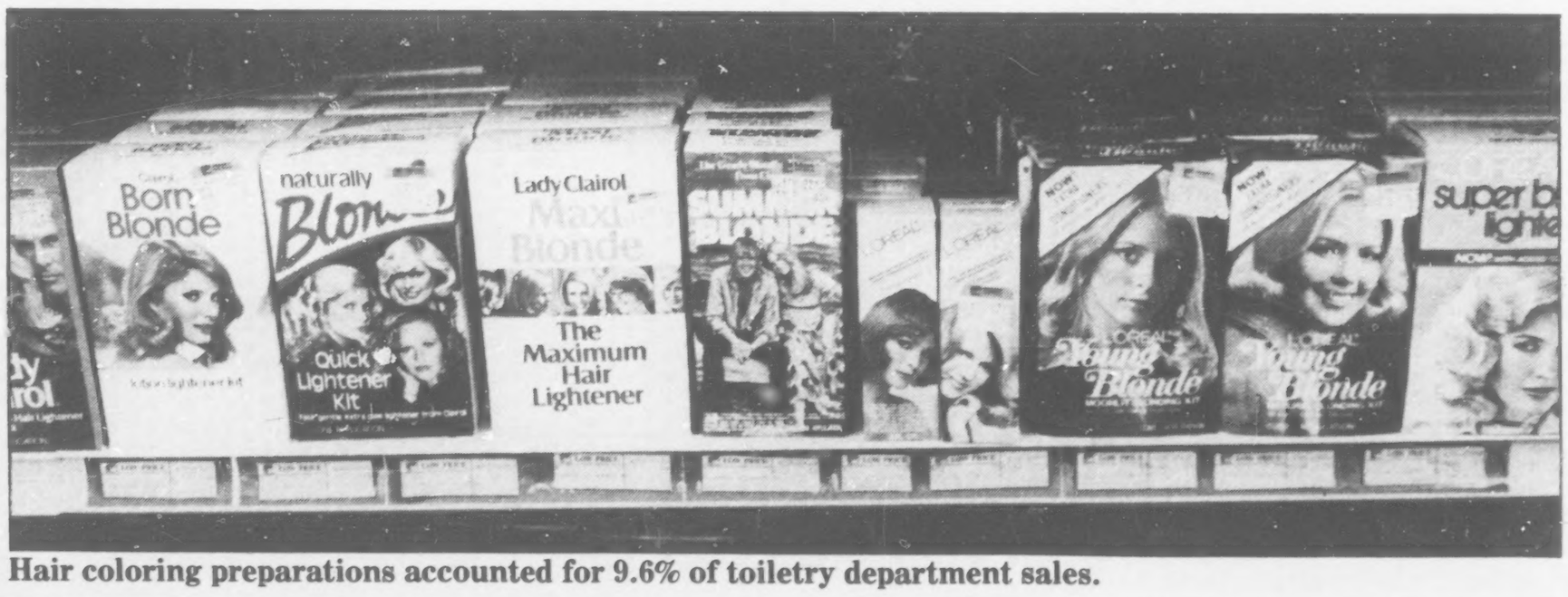
Today's man is leaving his electric and replaceable blade shaver in the medicine cabinet in favor of a disposable blade. Together, blades and disposable shavers produced sales of $158 million, an 8.3% jump over 1981. A great deal of the increase can be traced to unit movement associated with disposables.

Deodorant sales were up 8.5% in 1982.

Shave creams grew a bit slower, rising 6.7% to a total of $48.3 million. Most feel that men shave less often and don't go through an entire can of cream as fast.

Body creams and lotions enjoyed a good year in chain drug stores. Sales were up 7.8% to $227 million. Women still hadn't quite accepted depilatory products; volume rose only 2.9%. Waxes, however, gained in popularity.

The total toiletry market, accounting for 11.6% of chain drug sales of $28.66 billion, swelled 8.2% last year. It is the third strongest department within the chain store.



Hair coloring preparations accounted for 9.6% of toiletry department sales.

PRODUCTS

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Cosmetics: 5.7% of total chain sales

During 1982, drug store retailers found themselves at a crossroads in cosmetics. Many of them found that it was time to upgrade the department's look and mix. This was done to set the departments apart from those in supermarkets and also to cater to department store shoppers who more and more are frequenting drug chains.

Thus, drug stores attracted new shoppers during 1982 and encouraged others to trade up. While overall cosmetics sales were estimated to be flat or even down 1% or 2% for the year, drug chains managed to prosper. Chain drug store cosmetics sales outpaced inflation, rising 8.9% above 1981.

Total volume

Total volume reached $1.6 billion last year and cosmetics accounted for 5.7% of total chain sales. Although drug stores want to increase the share cosmetics add to sales, 1982 wasn't the year for this move. Also, the category continues to be a slow turner—annual turns per year average only 2.2. But, on the whole, drug chains were pleased to maintain overall market share in cosmetics. While supermarkets have made a strong push into cosmetics, chain drug stores remain the consumer's No. 1 outlet for cosmetics.

Part of the success of the drug chain has been in providing a broader selection and greater service than supermarkets. Drug stores, for example, have had better luck in selling treatments (although there is a long way to go before rivaling department stores). Treatment sales were up 10% in chains last year to $243.4 million. Treatments now account for almost 15% of cosmetics sales in chains. Sales were ignited last year by the fact that more women became concerned with care of their skin and because chains added more treatment lines.

1982 Cosmetics department highlights

Chain drug cosmetics sales	$1,637,552
1982 percentage gain	+8.9%
Percentage of total chain drug sales	5.7%
Typical gross margins	30% to 40%
Industry gross profit yield from cosmetics last year	$490,-$655,000,000
Average no. of annual dept. turns	2.2

1982 Cosmetics department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Fragrances	$484,870	+ 8.3	26.6
Toilet Water/ cologne	394,924	+ 8.4	24.1
Perfumes	89,946	+ 7.8	5.5
Pegged cosmetics	363,504	+ 7.6	22.2
Facial treatments	243,375	+ 10.1	14.9
Bath preps	151,499	+ 9.0	9.3
Lipsticks/lipcolor	151,080	+ 8.2	9.2
Nail polish/nail preps	139,517	+ 9.2	8.5
Makeup, powder, cream & liquid	103,707	+ 8.2	6.3

Source: *Drug Store News* survey

The last obstacle for chains to conquer in treatments is education of the consumer. To effectively sell treatments, either service has to be provided, or products need to be self-explanatory.

Another winner for chains last year was the fragrance category. Channels for obtaining designer fragrances have been cleared and chains have jumped at the chance to sell high-ticket goods to eager consumers. These pricey brands sold especially well at Christmas and so did low-end, novelty fragrance sets. These polarized trends were major contributors to the $484.9 million fragrance sales produced in 1982, an 8.3% increase over the previous year.

Toilet water/colognes accounted for $394.9 million in sales and perfumes contributed $89.9 million. Together, they produced 26.6% of the total chain drug cosmetics sales.

Women are aiming for a polished look . . . from head to toe, including nails. The nail category showed strong gains in 1982, as women embarked on nail care regimens. More hardeners, implements and colors were purchased, leading up to a 9.2% sales gain. Nail care and color sales reached $139.5 million, or 8.5% of total chain cosmetics volume. Nail color sales were boosted by some repackaging and more aggressive promotions during the year.

Color promotions, however, are not the automatic sales they used to be. Women no longer rush out to buy the newest season shades. Rather, they buy what they think is best for their own looks. Today's shopper is more selective and cautious. Still, lip color managed a somewhat successful year, and sales rose 8.2% to $151.1 million.

Eye color, makeups, creams and liquids also had a modest year with sales rising 8.2% to $103.7 million. These items represent 6.3% of all cosmetics sales. Retailers feel all segments of cosmetics moved better in 1982 thanks to a return to merchandising cosmetics by line rather than category.

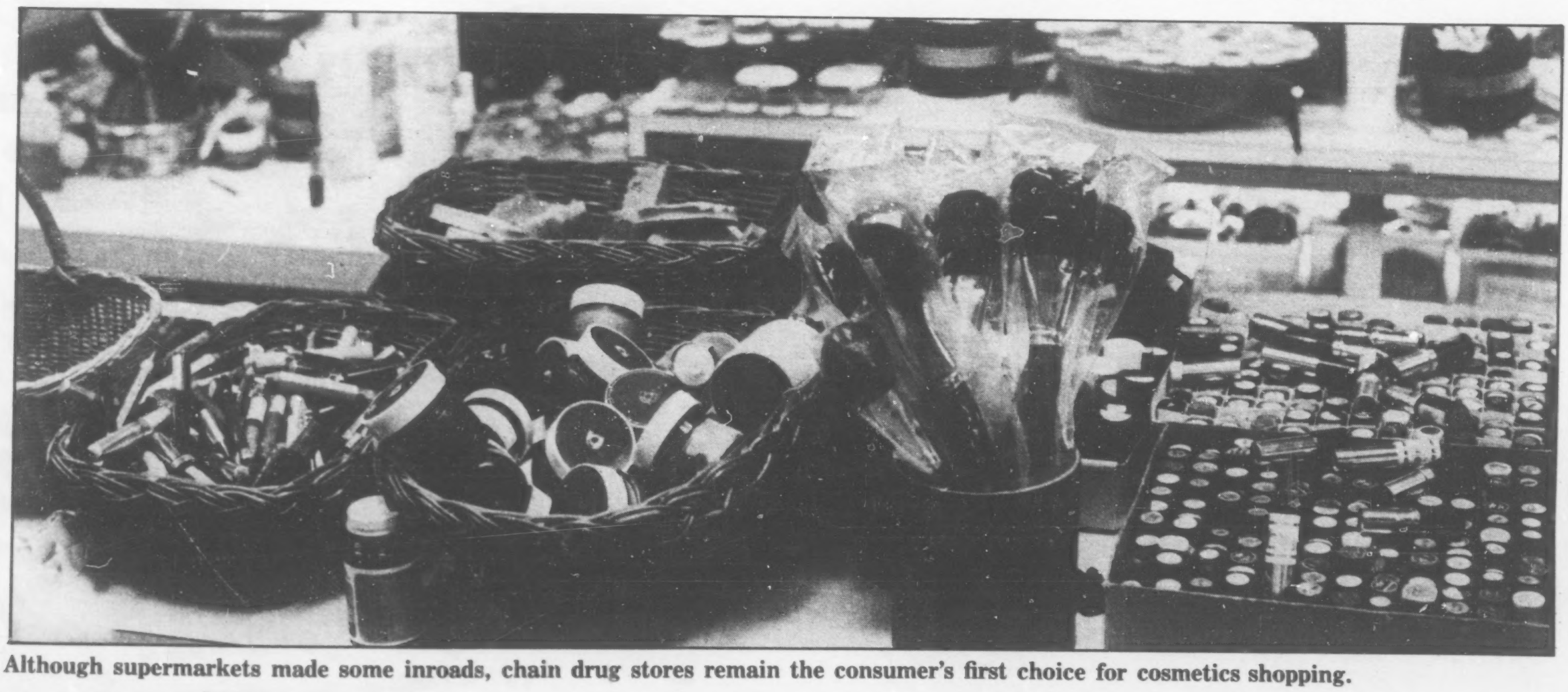
The theory behind this is that if a woman comes into a store to purchase one brand of mascara, she may see the brand's other products and buy additional items. Chains including Gray, Walgreen and Eckerd use this merchandising technique.

Pegged cosmetics, overall, grew 7.8% to $363.5 million. Chains are finding that buying is polarized because the fastest-growing areas are either high ticket or inexpensive. Pegged brands still command a large share of the business with sales accounting for 22.2% of the cosmetics volume in chains.

Finally, a much ignored category came on strong in 1982. That category is bath preps. While bath preps are not normally thought of as cosmetics, the category contributed 9.3% of cosmetics sales, with a 9% volume increase to $151.5 million.

During 1982, chains improved the merchandising of these items and promoted them heavily. It is a category targeted for growth for the rest of the decade. Some chains are using the boutique concept and creating special bath boutiques to sell the goods.

In cosmetics, chains are eagerly awaiting the latter part of 1983. Many of them feel that efforts to upgrade cosmetics will pay off at that time. The hot categories for the future include treatments, fragrances, nail and bath.



Although supermarkets made some inroads, chain drug stores remain the consumer's first choice for cosmetics shopping.

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Cards bolster stationery sales

Led by greeting cards, party supplies and an increasing home office business, stationery sales increased 8.3% last year to produce $1.4 billion in total chain drug store sales.

As usual, greeting cards led the section with $481.5 million in sales, an 8.6% increase from the 1981 level. Greeting cards were responsible for slightly more than one-third of all stationery department sales.

The $1.4 billion in sales were more than half the dollar volume generated by all greeting card outlets. The United States market last year generated between $2.4 billion and $2.5 billion.

Christmas continues to account for 40% of all greeting card sales, but boxed card sales remained flat at some chains. Picking up the slack were higher-priced individual cards.

More expensive cards

Retailers and manufacturers said there is a trend among younger people away from mailing Christmas cards to everyone. Instead, they are mailing more expensive cards to their close friends and relatives.

However, an aging population in the United States is becoming more conservative and more card conscious.

Valentine's Day is the fastest growing greeting card season. An estimated 900 million cards were sold this year.

Also fueling growth in this department is more aggressive marketing by chains, such as moving greeting cards to heavily trafficked areas. Until the past few years, many chains had looked at the card department as an anchor to draw traffic.

Now, many chains are moving these departments and reaping impulse sales. Moving the department to more visible locations in some chains last year boosted card sales 20% chainwide.

The second biggest contributor to the stationery department last year was the school home and office supplies section, which generated $363.4 million at chain drug stores, or 25.5% of all stationery sales.

These products grew 8.7% last year, with a big boost coming from the growing number of people who work out of their homes.

These people, whether they are bringing home work from their offices or operating their own businesses, are turning to chain drug stores for the supplies they need.

Several chains are adding special commercial sections that cater to businesses. The sections usually are next to the typical stationery department.

Commercial items that are doing well at drug chains include manila envelopes, large yellow legal pads, filing boxes and index cards.

Margins beckon

Merchandisers see this as an area for growth because the business has been dominated by commercial stationery stores that operate at gross margins of 70% to 80%.

Chain drug stores entering the commercial stationery market can sell the same products at margins of 33% to 50%.

Writing instruments were the next largest category in the stationery department last year, accounting for nearly $100 million in total chain drug store sales, or 7% of the market. The total was an 8.1% gain over 1981 sales.

Designer writing implements continued to proliferate last year, giving consumers the option to buy ballpoint pens that ranged from less than a quarter to solid gold sets that retail for $10,000. Filling the gap are markers, porous points pens, roller point pens, mechanical pencils and fountain pens.

Erasable pens move

New types of points continue to be introduced, and erasable ink pens are the fastest growing group. Introduced three years ago, erasable ink pens now capture 30% of the market, and new manufacturers are entering the arena.

Following writing instruments was gift wrapping, which grew 7.7% to $87.3 million in sales last year. The category, which was characterized by increased licensing, accounted for 6.1% of chain drug store sales.

Social stationery last year increased 6.9% to $74.7 million, or 5.2% of stationery sales.

The fastest growing stationery category last year was disposables and party supplies, which gained 8.8% to generate $51.3 million in chain drug sales. The category accounted for 3.6% of all chain drug store sales.

Licensing continued to expand in this area, and many retailers relied on their greeting card suppliers for their party supplies.

In some markets, however, the relatively high price of licensed party products—as much as 20%—found some resistance from consumers. Chains in these regions added lower end lines to the mix. Some of these lower end lines sold for as little as one-third of the price of licensed products.

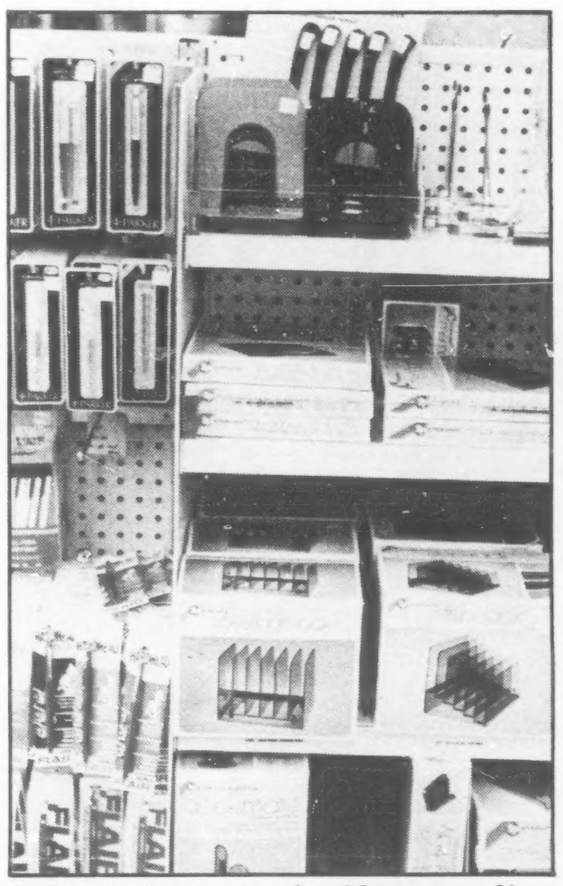
1982 Stationery department highlights

Chain drug stationery sales	$1,425,559,000
1982 percentage gain	+8.3%
Percentage of total chain drug sales	5%
Typical gross margins	40% to 45%
Industry gross profit yield from stationery last year	$570,-$641,000,000
Average no. of annual dept. turns	4.5

1982 Stationery department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Cards	$481,449	+8.6	33.8
School, home/office	363,344	+8.7	25.5
Books & magazines	256,153	+8.4	18.0
Writing instruments	99,977	+8.1	7.0
Social stationery	74,658	+6.9	5.2
Gift wrap	87,261	+7.7	6.1
Disposables/party supplies	51,382	+8.8	3.6
Art supplies	11,271	+2.6	0.8

Source: *Drug Store News* survey



School, home and office supplies generated 25.5% of all stationery sales.

Overall, chains found the licensed products productive and promoted them.

Chains also generated multiple sales by creating mini-departments, which are collections of several products using the same license.

Chains were divided between going with more trendy products, such as personalized balloons, and sticking to basic items such as paper plates, paper cups, napkins, hats and horns.

While many chain merchandisers felt it was important to latch onto trendy items early, others feared getting stuck with merchandise they could not sell.

The remaining stationery category, art supplies, grew 2.6% last year to generate total chain drug sales of $11.3 million, or 0.8% of a typical store's sales.

Greeting cards were responsible for slightly more than one-third of all stationery sales.

PRODUCTS

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Chains clean up with housewares

Drug chains have found their special niche in the $40 billion housewares business. Chains discovered success with lifestyle items, strong promotional goods and basics. These areas helped chains produce 1982 housewares sales of $2.1 billion, a 7.8% gain over 1981.

Most importantly, chains emerged from the year with clean inventories, and buyers were in good shape to gear up for 1983. Housewares, once an auxiliary department, now is a major contributor to drug store volume. In fact, housewares accounted for 7.4% of chain sales in 1982. That's more than traditional categories such as cosmetics, stationery/greeting cards and candy.

The key selling success for drug stores has been to get in early on hot-selling products, offer basics and retain modest price points. For example, drug chains did a great job with the popular air fresheners and are currently selling many lifestyle goods. Lifestyle merchandising has become a buzz word in the last few years as people move into smaller living areas and need storage items and products that are easy to move. Also, people have a renewed interest in sprucing up their homes.

To this end, items including furniture, storage bins, decorative items and gourmet products enjoyed a strong year. In fact, house and kitchen gadgets/gourmet items recorded the highest sales gain of 8.4% last year. Many shoppers are trading up in kitchen goods and found drug stores a convenient shopping place. Chains had success with microwave cooking items and electronic kitchen gadgets. This category produced sales of $138.9 million, or 6.6% of toal housewares volume.

Small electrics

Personal care items paced sales in small electrics, a category that grew to $243.7 million last year, up 8.3% over 1981. The big news was dryers and curling brushes. This area was so strong that many chains brought in a controlled brand to offer shoppers two-tiered pricing. Walgreens was one example of this, and the chain's Perfection line (made for Walgreens in the Orient) sold extremely well.

Rubber goods and plastics still control the lion's share of the housewares business. Again, chains tried to give customers a choice of price points and many plastic and rubber promotions were held throughout the year to spur sales. This category accounted for 22.6% of overall sales for a total of $478.6 million.

The second strongest department was the staple household supplies. These items—brooms, dust pans and mops—continue to round out the housewares selection. Household supplies produced 13.2% of the total category volume. This category increased in volume 7.7% for a total of $279.3 million.

Paper products

As always, paper products packed promotional punch for drug chains. Paper products are popular ad items for retailers, and these strong promotions helped push 1982 sales 8.1% above last year's. Paper goods generated revenues of $183.2 million and accounted for 8.7% of housewares sales.

Inexpensive storage-type furniture that can be taken apart and reassembled sold well for drug chains last year as part of a trend to lifestyle merchandise. Furniture and outdoor furniture sales grew 8.1% to $64.4 million. While many of the smaller chains shied away from this merchandise, larger chains and superstores reported brisk sales movement, especially when used on an advertisement.

Glass/dishware/cookware sales jumped 8% to $234 million. Many chains pared this category down to include only the best sellers. The result has been equal movement in less space. This category accounted for about 11% of 1982 chain drug housewares sales.

Lifestyle merchandise also includes plants, a category coming on strong. Sales of plants and plant care advanced 8.3% last year to $59.3 million, as more retailers added live plants to their mix.

Lighting products have become more important for the chain drug stores, and many outlets now carry full departments with bulbs and fixtures merchandised on manufacturer fixtures. Sales of this category now account for 5.2% of chain drug housewares volume, making it the sixth strongest area. Sales rose to $110.1 million during 1982, a 7.5% increase over 1981.

Other lifestyle areas showed strength during the year, including picture frames/mirrors and bath/closet, which rose 7.2% and 8%, respectively. Frames and mirrors produced sales of $86.9 million and bath/closet $41.9 million.

Shoe care is also monitored as a houseware product and sales of polishes and laces rose 5.6% to $26.2 million. Lace sales were bolstered by licensed characters such as Smurf and Strawberry Shortcake.

In fact, licensing became a major factor in housewares during 1982. Characters such as E.T. and Garfield popped up on everything from glassware to picture frames. But retailers were careful to choose only the proven winners.

Finally, a number of chains used a department-store boutique approach in their housewares departments, with special color schemes and even wicker helping to upgrade the image. This trend to the mini department is expected to continue this year.

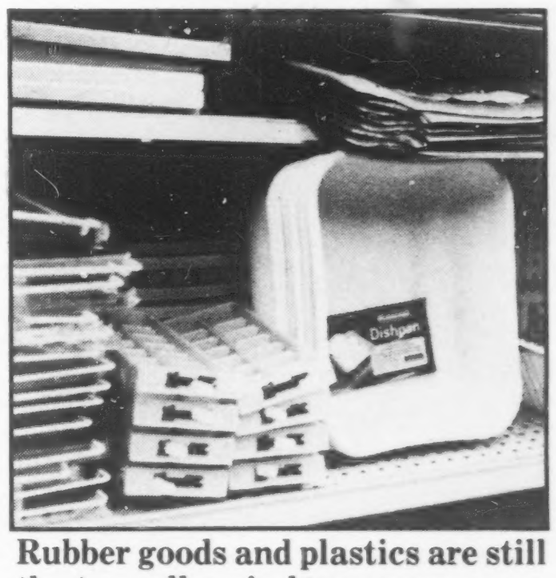
1982 Housewares department highlights

Chain drug housewares sales	$2,115,023,000
1982 percentage gain	+7.8%
Percentage of total chain drug sales	7.4%
Typical gross margins	35% to 45%
Industry gross profit yield from housewares last year	$740,-$950,000,000
Average no. of annual dept. turns	3

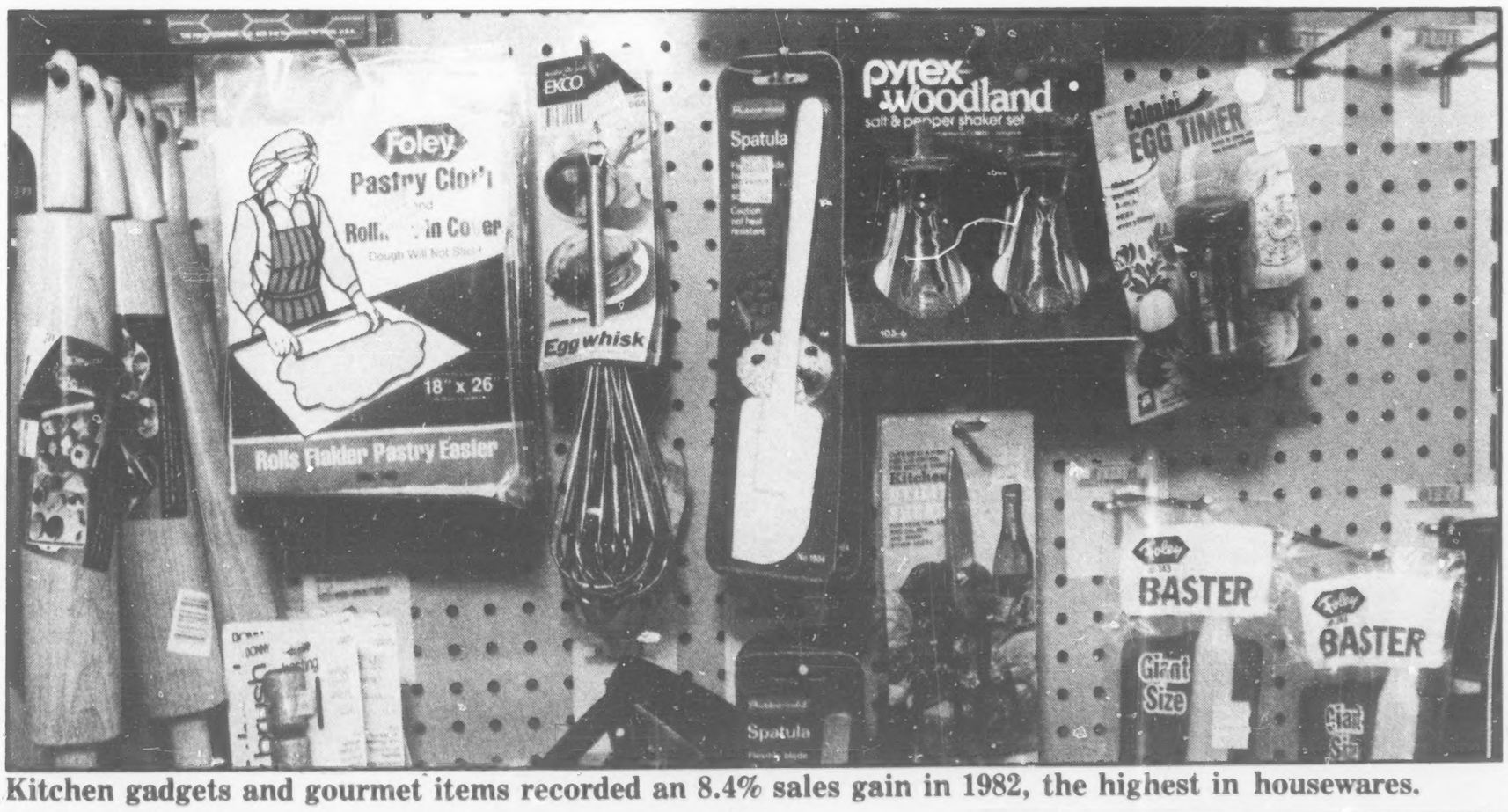
1982 Housewares department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Plastics & rubber housewares	$478,640	+7.6	22.6
Household supplies	279,349	+7.7	13.2
Small electrics	243,703	+8.3	11.5
Glass/dishware/ cookware	234,024	+8.0	11.1
Paper products	183,188	+8.1	8.7
House & kitchen gadgets/gourmet	138,875	+8.4	6.6
Lighting products	110,135	+7.5	5.2
Picture frames/ mirrors	86,849	+7.2	4.1
Insecticides	76,673	+6.9	3.6
Furniture/outdoor furniture	64,425	+8.1	3.0
Plant/plant care	59,272	+8.3	2.8
Bath/closet	41,855	8.0	2.0
Shoe care	26,167	+5.6	1.2
Miscellaneous	91,860	+7.8	4.3

Source: *Drug Store News* survey



Rubber goods and plastics are still the top sellers in housewares.



Kitchen gadgets and gourmet items recorded an 8.4% sales gain in 1982, the highest in housewares.

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Candy sales survive tamper scare

Chain drug candy sales increased a moderate 5.3% last year as the wave of product tampering incidents that struck OTC drugs in 1982 sent Halloween candy sales plummeting by as much as 40% to 50% after reports of tainted candy circulated throughout the country.

In 1982, sales increases in nearly every major candy category—including bagged, candy bars, seasonal, chewing gums and boxed candy—were on the average more than 50% lower than the 11.7% increase in 1981.

Most drug retailers agreed that candy volume would have been considerably higher had it not been for the rash of product tampering reports prior to Halloween. Many retailers pointed out that Halloween candy sales can contribute as much as 7% to 10% of a chain's annual candy sales.

However, warnings from public officials about tampered candy and a steady stream of media horror stories kept consumers away from retail candy aisles in droves. Sales of bagged candy, normally the most popular selling candy during the Halloween season, plunged.

1982 Candy department highlights

Chain drug candy sales	$1,074,168,000
1982 percentage gain	5.3%
Percentage of total chain drug sales	3.7%
Typical gross margins	25% to 30%
Industry gross profit yield from candy last year	$269,-$322,250,000
Average no. of annual dept. turns	5.5

1982 Candy department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Bagged	$295,804	+5.3	27.5
Seasonal	278,084	+4.1	25.9
Candy bars	260,846	+6.4	26.0
Boxed	104,053	+5.0	9.7
Chewing gums	112,912	+5.5	10.5
Other	4,339	+2.9	0.4

Source: *Drug Store News* survey

Boxed candy, traditionally selling best around Valentine's Day, inched above the $100 million mark for the first time.

Across the country, Halloween sales fell as much as 50%. Walgreens reported its Halloween candy sales were off by 20%. At Perry Drug, based in Pontiac, Mich., candy sales declined 25%. The stories were the same everywhere. Suburban stores seemed to fare the worst, but downtown stores also suffered badly.

Penn Keller, president of the 11-store Valco Drugs, said that candy sales in the chain's suburban stores were 40% lower than the previous Halloween. Valco's urban stores were off by 30%. Keller attributed the difference to the fact that office workers, who constitute a major portion of the chain's urban candy buyers, were generally undeterred by the negative publicity.

Keller added that he did not expect Hallloween candy sales to return to the chain's normal level next year. But overall, Keller said, candy sales last year were excellent. With the exception of Halloween, seasonal candy promotions were strong, he said.

"The two weeks before Easter ran as well as ever," Keller stated.

Some more hopeful

Not all drug retailers are as pessimistic about next Halloween as Keller. One candy buyer from a major chain said that he had received assurances from several candy manufacturers that the candy industry will mount a consumer awareness campaign next Halloween to educate consumers about product tampering in much the same manner that manufacturers of OTC drugs have informed consumers about product package safety.

Fortunately, candy sales rebounded following the Halloween debacle. Several drug retailers were able to use unsold stock for subsequent Thanksgiving and Christmas promotions. In addition, candy manufacturers took back much of the unsold candy from many chains.

Category performance

In terms of category performances, candy bars posted the biggest sales increase in chain drug stores. Candy bar sales rose 6.4% from a year ago to $260.8 million. Bagged candy and seasonal candies, reflecting the sales loss from Halloween, showed more moderate increases. Sales of bagged candies were up 5.3% to $295.8 million. Seasonal candy, which rose 12% in 1981, increased only 4.1% last year, to $278.1 million.

Drug retailers continued to promote candy heavily last year. Roy Depolite, candy buyer for K&B, pointed out that because candy is an impulse item consumer interest should be stimulated by promotions.

Several candy buyers reported successful results when candy promotions were tied to couponed print advertising campaigns by manufacturers.

While most drug retailers were confident that candy sales will pick up next year, there were some who are unsure how substantial the increase will be. The Halloween incident aside, per capita candy consumption has generally declined during the last decade, although per capita consumption of candy rose slightly in 1981 to 16 lb. a year.

During part of 1982, candy sales received a shot in the arm when sugar and cocoa suppliers rolled back prices. For the most part these savings were passed on to retailers, who in turn passed them on to consumers. By year-end, however, chocolate prices were again inching upward. There also were price increases in chewing gums and breath mints.

New candy introduced

There were several new candy introductions in 1982. The entries included carob-coated peanuts, honey-covered raisins and peanuts and flavored popcorn. Several candy manufacturers also brought out larger size variations last year.

Boxed candy sales in chain drug stores last year inched above the $100 million mark for the first time. Boxed candy, which traditionally sells best around Valentine's Day, produced sales of $104.1 million in 1982 and generated 9.7% of department sales. Sales gains from Valentine's Day helped stimulate this category, many retailers reported.

In 1982, chewing gum sales rose 5.5% to $112.9 million last year, accounting for 10.5% of total chain drug candy sales.

Despite the somewhat weak performance of candy in 1982, retailers believe the category will show a marked improvement this year. Most retailers predicted that sales gains will return to double-digit levels set in 1981. To accomplish this, however, seasonal profits will have to stage a dramatic upturn.

Candy bars posted the largest sales category increase—rising 6.4% from last year to $260.8 million.

PRODUCTS

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Chain tobacco sales top nat'l avg.

Increasing prices helped to increase dollar sales of tobacco and tobacco products in chain drug stores despite a shrinking unit market for these products.

For the cigarette and tobacco industry, 1982 marked the first time in 12 years that sales failed to escalate. Instead, industry sales for 1982 were $622 billion, down 1.3% from more than $630 billion in 1981.

However, tobacco and tobacco products sold through chain drug stores in 1982 produced retail sales of $2.56 billion, up 6.1% from 1981. The department accounted for 8.1% of sales in a typical chain drug store. That was a decline from 9.4% share in 1981, but gross margins remained in the 15% to 20% range.

1982 Tobacco department highlights

Chain drug tobacco sales	$2,561,774,000
1982 percentage gain	+6.1%
Percentage of total chain drug sales	8.1%
Typical gross margins	15% to 20%
Industry gross profit yield from tobacco last year	$385,-$512,000,000
Average no. of annual dept. turns	15

1982 Tobacco department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Cigarettes	$1,704,072	+6.4	66.5
Cigars	430,271	+5.8	16.8
Lighters/smoking accessories	212,627	+6.2	8.3
Tobacco/tobacco products	184,431	+6.2	7.2
Pipes	30,712	+5.9	1.2

Source: *Drug Store News* survey

Loose tobacco and other tobacco products produced $184.4 million in sales, up 6.2% from 1981.

More turns

The products also continued to produce more turns per year, 15, than products in any other chain drug department.

Cigarettes dominated the department, accounting for nearly two-thirds of all tobacco products. The total chain drug cigarette market was more than $1.7 billion, a 6.4% increase over 1981. More low tar brands have continued to appear on drug store shelves, although brand proliferation has slowed down.

The Federal Trade Commission reported that 157 out of 208 brands tested had less than 10mg of tar. That was up from 150 of the 200 brands tested in December 1981.

Brands directed for consumption by women also appear to be on the increase.

Overall, most chains are carrying between 105 and 120 brands, up from approximately 60 in 1975. Eight years ago, 61 brands were required to satisfy 95% of the customers, according to a study.

Chains are continuing to eliminate the slowest-moving brands to make way for new products that are popular or are expected to be heavily promoted by the manufacturer.

To match the shrinking unit volume, chains last year sought deals that reduced the size of their shipments from manufacturers. That reduced overhead and enabled the chains to keep fresher merchandise on the shelves.

In many cases, smaller deliveries also meant more frequent deliveries to keep in stock.

The biggest surprise in the department last year was the surge in generic cigarette sales. Generic cigarettes accounted for 3% of the market in 1982, up from 1.5% in 1981.

The increase was attributable to the lower price of generics, approximately 30% below branded cigarettes, and to the increasing number of chains that introduced generics in 1982.

Prices increase

Another change in cigarette merchandising was brought on by price increases amounting to nearly 20% in the last four months of 1982. Including $4 attributable to tax, cigarette prices increased approximately $5.70 per 1,000 cigarettes.

The increases caused many consumers to switch buying habits. Single pack sales were up at the expense of carton sales. Although retailers benefited from higher profits generated by single packs, the increase may not offset further unit declines.

By April 1983, it was still too early to tell if consumers had adjusted to the price increases and were switching back to carton purchases.

Early this year, cartons of branded 100mm cigarettes sold from $7.55 to $7.75. Cartons of generic 100mm cigarettes sold in the $5.89 to $6.09 range.

Prices of branded single packs ranged from 85¢ to $1.

Cigar habits change too

The price increases also changed the buying habits of cigar smokers, who also began switching to single pack purchases. Tobacco merchandisers for drug chains reported that cigar sales were flatter than cigarette sales. Cigar sales in chain drug stores last year were nearly $430.3 million, a 5.8% increase over 1981 sales.

Cigar sales accounted for approximately 16.8% of all sales in a typical chain drug store tobacco department.

Lighters and other smoking accessories accounted for $212.6 million in sales in chain drug sales. That was up 6.2% from 1981. The products accounted for 8.3% of all tobacco deartment sales in chain drug stores.

Loose tobacco

Loose tobacco and other tobacco products produced $184.4 million in chain drug store sales up 6.2% from the 1981 sales level. As in 1981, these products accounted for 7.2% of the tobacco products sold in chain drug stores.

Pipe sales again remained a small section of the tobacco departments, accounting for 1.2% of the typical chain drug tobacco departments.

Chain drug stores combined to sell more than $30.7 million worth of pipes in 1982, a 5.9% increase from the previous year.

Most chains carry between 105 and 120 brands of cigarettes; eight years ago, 61 brands satisfied 95% of smokers.

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Food and liquor sales up 5.9%

As food inflation eased, the growth in food and liquor sales slowed in 1982.

Grocery, wine, beer and liquor sales moved upward to $1.6 billion. The 5.9% sales increase was significantly smaller than the 13.5% growth rate recorded in 1981 and well below the 9.9% that industry sales advanced as a whole in 1982.

Liquor and wine continued to constitute a major portion of the category's sales, contributing 47.3% of the department's volume. In 1982, liquor and wine sales were $761 million, up 5.6% from 1981. Sales of soft drinks were $231 million last year, an increase of 5.5%. Drug retailers reported a 5.3% increase in beer sales to $103 million in 1982. In terms of department sales, soft drinks accounted for 14.4%, while beer contributed 6.4% of the total food and liquor sales.

1982 Liquor/food department highlights

Chain drug liquor/food sales	$1,611,037,000
1982 percentage gain	5.9%
Percentage of total chain drug sales	5.6%
Typical gross margins	15% to 20%
Industry gross profit yield from liquor/food last year	$242,-$322,000,000
Average no. of annual dept. turns	12

1982 Liquor/food department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Liquor/wine	$761,332	+5.6	47.3
Soft drinks	231,251	+5.5	14.4
Nuts	129,929	+7.1	8.1
Snacks/cookies	117,622	+7.0	7.3
Beer	103,320	+5.3	6.4
Canned goods/condiments	72,274	+6.6	4.5
Dry groceries	62,715	+6.3	3.9
Other foods*	132,585	+5.2	8.2

*Includes health foods
Source: *Drug Store News* survey

Sales increases

The sales increases posted by canned goods, condiments, snack foods and dry groceries were somewhat better than the alcoholic and nonalcoholic beverage categories. Canned goods and condiments were up 6.6% to $72 million. Snack foods and cookie sales were $117.6 million in 1982, an increase of 7% from the year before. Dry groceries produced $62.7 million in sales, which was a 6.3% improvement over 1981.

But even as industry figures show that food and alcoholic beverage sales were relatively weak last year, many drug retailers said that they are committed to offering a basic assortment of convenience food items. These retailers believe that if they don't stock some of the highly consumable food items in their stores they may risk losing business in other categories such as OTC and H&BA to supermarkets, which have been aggressively expanding into drug store lines in recent years.

Time counts

Consumers have put a premium on their disposable time and look more and more for one-stop shopping, many retailers contend. For this reason, drug chains are attempting to lure consumers with popular national brands that are competitive with, and in many cases under, supermarket prices.

Some chains have been so successful with convenience foods that they have expanded their in-store foodservice units by several hundred square feet and are carrying a bigger selection of grocery items. In addition, chains such as Walgreens and Longs have introduced their own private labels for food products.

However, other chains are less optimistic about the grocery sales potential in drug stores. Some retailers who moved quickly into food merchandise a few years back have said that the category generally has not produced the profits to warrant expansion. Moreover, they point out that the operating costs inherent in maintaining a full convenience food section can be prohibitive. In particular, they cite the costly expense of equipping food units with freezers and refrigerators.

Builds traffic

Drug retailers are in general agreement that food used as a traffic builder can help boost other areas within the store. Most chains include at least four food items in weekly or biweekly promotions. Grocery buyers tend to concentrate on the fastest moving "in-out" food items such as mayonnaise, ketchup, soda, coffee, sugar and instant cake mixes.

In addition to being a good promotional tool, the generally fast turnover rate of grocery products remains enticing to many retailers. On the average, grocery and alcoholic beverages turn 12 times annually. Only tobacco, which has an average turnover rate of 15, moves faster.

The fast turnover rate helps balance the low gross margins that food products generate. While margins vary from chain to chain, grocery products tend to yield between 15% and 20%.

Some retailers have begun to offer health and nutritional foods in their grocery sections. The products include dried fruits, sugar-free and salt-free food items, herbal teas and nuts. In addition to appealing to the health conscious individual who frequents drug stores, drug chains can realize profit margins as high as 40% to 50% from these types of specialty foods.

Nutritional foods and grocery products with low sodium and sugar content have drawn favorable reactions from both consumers and retailers. Many retailers believe that this will be a growing profit center for drug chains in the future. They point to the changing attitudes of many Americans toward health.

In 1982, health foods—included with several other miscellaneous grocery products in the "other" foods category—generated $132.5 million in sales and accounted for 8.2% of the total department volume. But despite many retailers' high hopes, the category increased only 5.2% from 1981.

The American desire to stay trim and fit is also having an impact on the beer and wine shelves in chain drug stores. Many chains have reported an increase in the sale of nationally known light beers, which are lower in calories than traditional beers. In addition, several vineyards have recently introduced wines that are lower in calories.

While drug retailers continue to regard food, liquor, wine and beer as integral parts of their overall product mix, they tend to be cautious about making food merchandising decisions on a chainwide basis. The reason is simple. A drug store with a supermarket right next door and another one across the street is hardly in a position to compete with its convenience food section.

At the same time drug chains that find they have stores that are not in close proximity to any major grocery outlets have been able to capitalize on a community's needs by offering full-line food sections.

One major chain drug store located in a Southern city where there are few neighboring grocery stores, for example, has expanded its food unit because of the demand for grocery merchandise. According to an executive at the chain, approximately 60% of the store sales volume is derived from its food section.

Liquor and wine constituted a major portion of the food/liquor category sales, contributing 47.3% of the department's volume.

PRODUCTS

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Promos, Disc revive photo dept.

Film processing promotions and the introduction of the Kodak Disc camera toward the end of 1981 made the photo department one of the most successful in chain drug stores last year.

The 12.3% increase in sales in chain drug departments was exceeded only by gains in the prescription and over-the-counter departments.

Photo departments accounted for more than $1.3 billion in sales for the chain drug industry, a figure that broke down to approximately 4.6% of the sales in a typical drug store.

But the department also generated considerable store traffic because each film sale has the potential for three store visits: first to buy the film, second to drop it off for processing and third to retrieve the developed photographs.

But the department is successful in its own right, averaging gross margins of 20% to 25%. Merchandise turns approximately nine times per year.

Retailers credited the Disc for much of their success. Not only did the product revive sagging camera sales but also boosted film processing sales.

Some chains reported film processing gains of more than 35% over 1981, an increase that was attributable as much to special promotions as to the Disc. Promotions usually stressed two prints for the price of one.

The tactics enabled chain drug stores to record film processing sales for 1982 that were more than 16% higher than in 1981, a substantial improvement over the entire processing industry, which grew approximately 10%.

That means all drug stores increased their share of the photo finishing business. In 1982, 44.6% of all photo finishing was done through drug stores.

1982 Photo department highlights

Chain drug photo sales	$1,311,418,000
1982 percentage gain	12.3%
Percentage of total chain drug sales	4.6%
Typical gross margins	20% to 25%
Industry gross profit yield from photo last year	$260,-$328,000,000
Average no. of annual dept. turns	9

1982 Photo department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Film	$518,390	+12.1	39.5
Still color	265,300	+16.5	20.2
Instant picture	238,022	+ 8.5	18.2
Movie color	12,446	+ 4.1	0.9
Still B&W	2,622	+12.3	0.2
Processing	407,255	+16.1	31.1
Flashbulbs/flash attachments	251,020	+ 6.1	19.2
Cameras	134,753	+14.8	10.2

Source: *Drug Store News* survey

Many chains took advantage of this trend by adding capacity to their own photo finishing labs and by making improvements to their film processing plants. Some improvements included adding procedures that better protect prints against scratches and light.

Film processing gains were especially important because the process nets everyday gross margins of 30% to 33% and gross margins of 25% during promotions.

In the film category, color still was the leader, posting a 16.5% increase in sales above the 1981 level. Once again, the Disc film was a major impetus, but the growing 35mm market was also a major contributor.

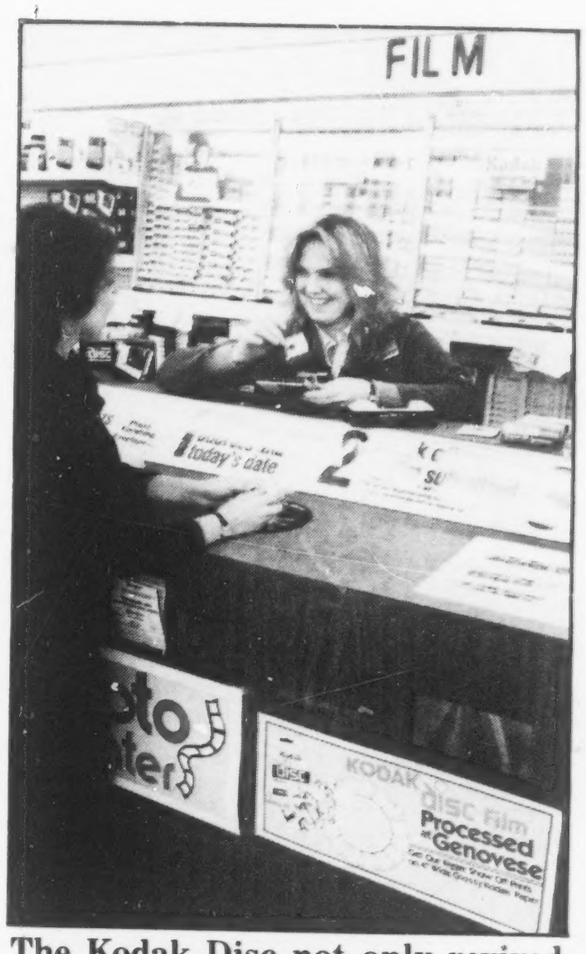
Disc captures 10%

Drug chains reported Disc film has garnered more than 10% of the garnered market. Some of that gain was at the expense of 110 and 126 film. The 110 pocket camera system, introduced in 1972, is nearing the end of its product life cycle.

Thirty-five millimeter film accounts for more than half of all film and film processing sales, and this area is continuing to grow as more photographers switch over to this system.

In the color 35mm film category, print film growth continues to outpace slide film in sales, which have been relatively flat. Print film now accounts for twice as many exposures as slide film. Five years ago, sales for the two categories were equal.

The trend toward more print films has caused manufacturers to develop faster and sharper print films that produce less grain. Further improvement in the films is expected to continue to fuel the growth of 35mm cameras.



The Kodak Disc not only revived sagging camera sales, it also boosted film processing sales.

Instant picture sales were the slowest-growing category, primarily because shutterbugs resisted the increasing price of this type of system. Including flash, the cost of producing instant pictures neared the $1 mark in 1982. However, improvements in quality and lower priced instant cameras are expected to revive this market somewhat in 1983.

Other changes are also expected in the camera market.

Drug chain photo merchandisers said the success of the Disc cameras, which have retail prices as high as $100, has proven they can sell more expensive cameras than was thought possible.

While drug stores have long been known to have the ability to sell inexpensive cameras, it had been thought 35mm camera buyers would immediately head to a professional camera shop.

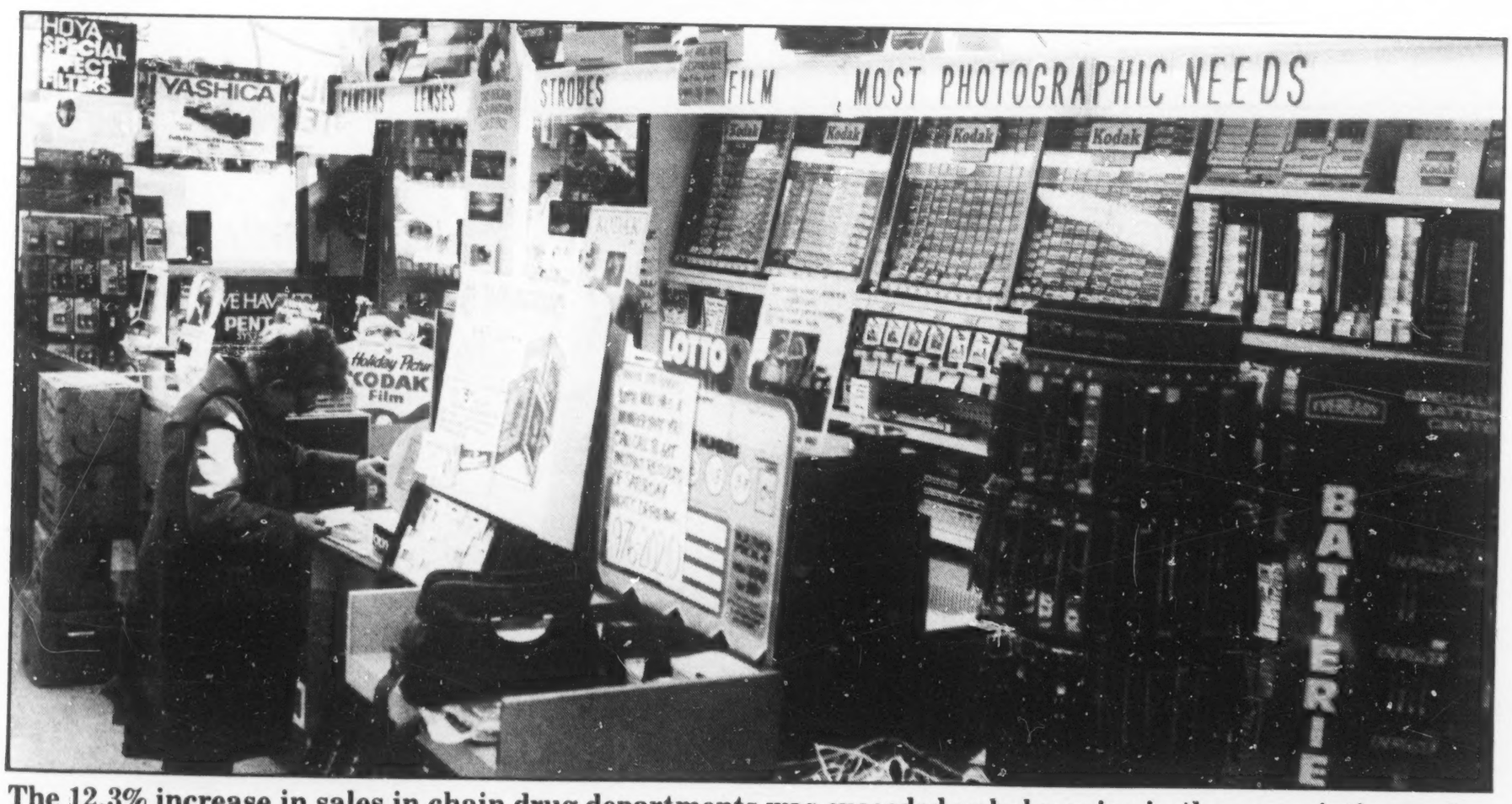
35mm's succeed

However, drug stores successfully sold lower priced 35mm cameras that are easy to operate. More sophisticated electronics built into cameras has made them easier to use. In many cases, the photographer simply has to point and shoot the camera and the camera automatically will focus and set the correct exposure. These cameras will also automatically fire the built-in flash when necessary.

Some chains have gone another step and introduced single lens reflex cameras that have interchangeable lenses.

Other chains, however, would rather avoid the inventory investment and stock only a few popular cameras. Some chains decline to carry any cameras

The new generation of cameras with built-in flash means that flash and flash accessories will probably continue to decline as a percentage of total photo department sales.



The 12.3% increase in sales in chain drug departments was exceeded only by gains in the prescription and over-the-counter departments.

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Sundry sales increase 7.1%

Personal care products, pet needs, sunglasses and hosiery were the highest selling items in the general merchandise category in chain drug stores last year.

Total chain drug general merchandise department sales in 1982 were $1.53 billion, an increase of 7.1% from 1981. The category generated 5.4% of the total 1982 drug store sales volume, down slightly from the 5.6% the department produced the year before.

Personal care products accounted for an 18.4% share of the general merchandise sales. In 1982, sales were $283 million, which was a 6.8% improvement over the previous year. Consumers continued to be more responsive to health-oriented products and items that enhance personal appearance such as heating pads, foot baths and massagers, electric shavers, hair blowers and curling irons.

However, some buyers reported that sales of hair blowers and curling irons may be approaching the saturation point. While these products tend to have a short life span, the replacement rate is said to be only 10% at any given time. Electric shavers remained a popular gift item for the Christmas season and Father's Day.

Pantyhose good growth area

Pantyhose and soft goods were a good growth area for drug chains last year as sales volume increased 6.8% to $241 million. Drug retailers attribute the increased demand for hosiery products to the fact more women are working than ever before. Moreover, women who are pressed for time view drug stores as an ideal outlet for purchasing hosiery. The reason is they already shop in drug stores for a variety of their health and beauty needs.

Drug chains have been successful with hosiery products because they offer better price points than department stores. Most chains continue to emphasize the best-selling national brands. Several buyers also said sales of men's hosiery products improved last year.

Hosiery products accounted for 15.7% of the general merchandise department sales last year. Most retailers believe sales in this area will continue to grow in the future.

Sunglasses shine

With profit margins that can run as high as 50% to 75%, sunglasses have been an important part of most drug chains' general merchandise mix. Last year, sales of sunglasses were $223 million, a 7.4% increase over 1981. Sunglasses contributed 14.5% to the department's overall sales in 1982.

Retailers reported new designer sunglasses helped stimulate sales last year. But some buyers said the large number of knock-offs in the category, which have flooded the market recently, are creating some buyer resistance and price sensitivity.

The general merchandise category that showed the biggest sales increase in 1982 was home electronics. Home electronics rose 8.2% to $113 million. The category produced 7.4% of the department's sales.

Despite the recessionary climate, which has generally dampened consumer demand for higher-priced merchandise, drug retailers said that sales of radios and low-end home computers were somewhat encouraging.

"It's for you"

But the area of home electronics that has attracted the most attention is the telephone category. Most drug retailers believe telephones will be an extremely big growth area next year. Several chains reported that telephone sales increased steadily throughout 1982 as consumers became aware of the savings involved in owning their own telephones.

However, a number of buyers expressed concern that while there is a tremendous market for telephone sales, there is a relatively low profit potential. As telephone marketing has become increasingly competitive, profit margins have continued to shrink. Currently, drug retailers are realizing profit margins of 20% to 25% on most telephones and 10% to 15% margins on advertised promotions. But buyers expect margins to pick up as consumers become more gadget-oriented and begin to go for the higher-priced cordless and novelty telephones.

Other areas of home electronics that grew last year were hand-held calculators, which were selling for as little as $5. Credit card size and solar calculators were also popular with consumers. Other low-priced electronics that caught consumers' attention last year were Walkman-type cassette players and radios.

Pet supply sales rise

Pet food and pet care products sales rose 7.1% to $185 million in 1982, leading many drug retailers to believe that the category is recession resistant. The pet needs category contributed 7.1% to the general merchandise department.

Among the fastest-growing areas within the pet category were products that kill fleas and ticks. Other pet merchandise that moved at a brisk pace were foods, chew toys and grooming instruments.

Another sundries category that performed well again last year were watches and bands. The category showed a 7% increase, with sales totaling $124 million. Buyers said that watches were big sellers around the holidays, while bands sold consistently throughout the year. The category produced 8.1% of the department sales volume.

Sporting goods racked up a 7.5% sales increase in 1982 as sales totaled $165 million. Tennis balls, athletic supporters, wrist and ankle bands and knee pads were some of the consumer favorites.

Yarn and sewing products sales closed above the $1 million mark for the first time. The category was up 6.1% from 1981.

Other general merchandise categories that grew last year included vaporizers and humidifiers, which were up 7.2% to $24 million; giftware, up 7.7% to $32 million, and personal care/rubber sundries advanced 6.4% to $22 million.

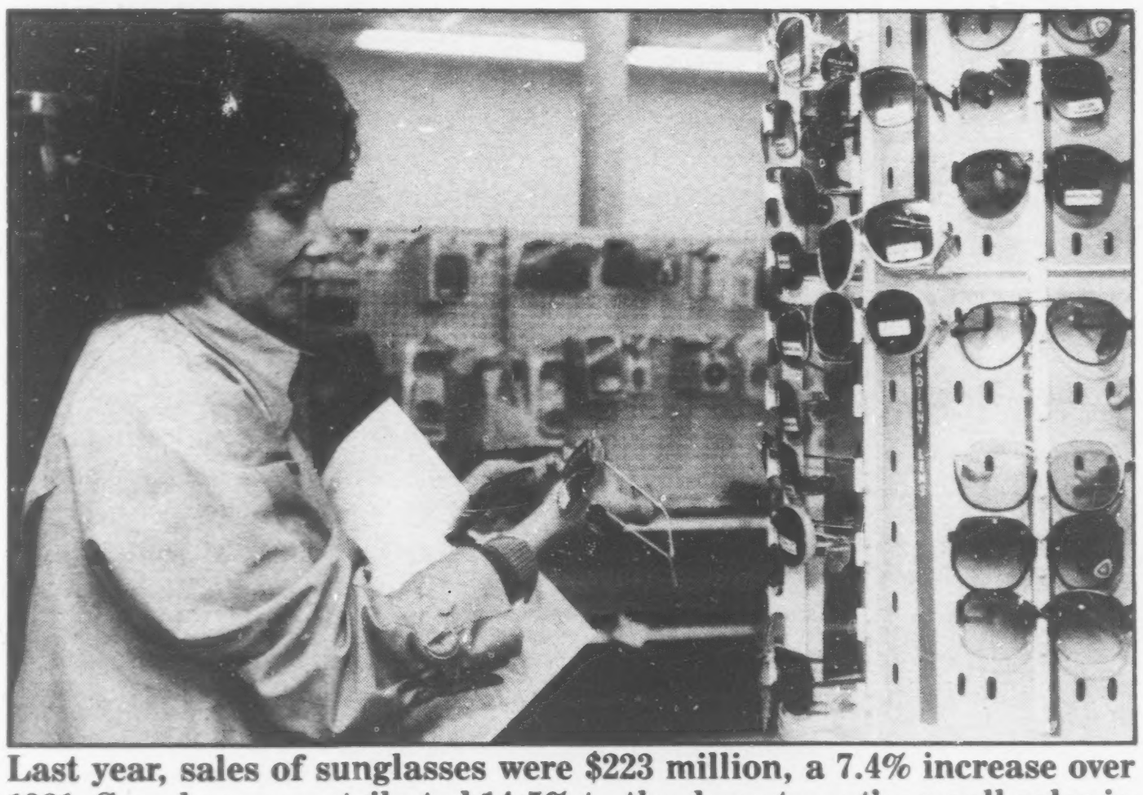
1982 General merchandise department highlights

Chain drug General merchandise sales	$1,533,321,000
1982 percentage gain	+7.1%
Percentage of total chain drug sales	5.4%
Typical gross margins	35% to 45%
Industry gross profit yield from general merchandise last year	$535,-$690,000,000
Average no. of annual dept. turns	5

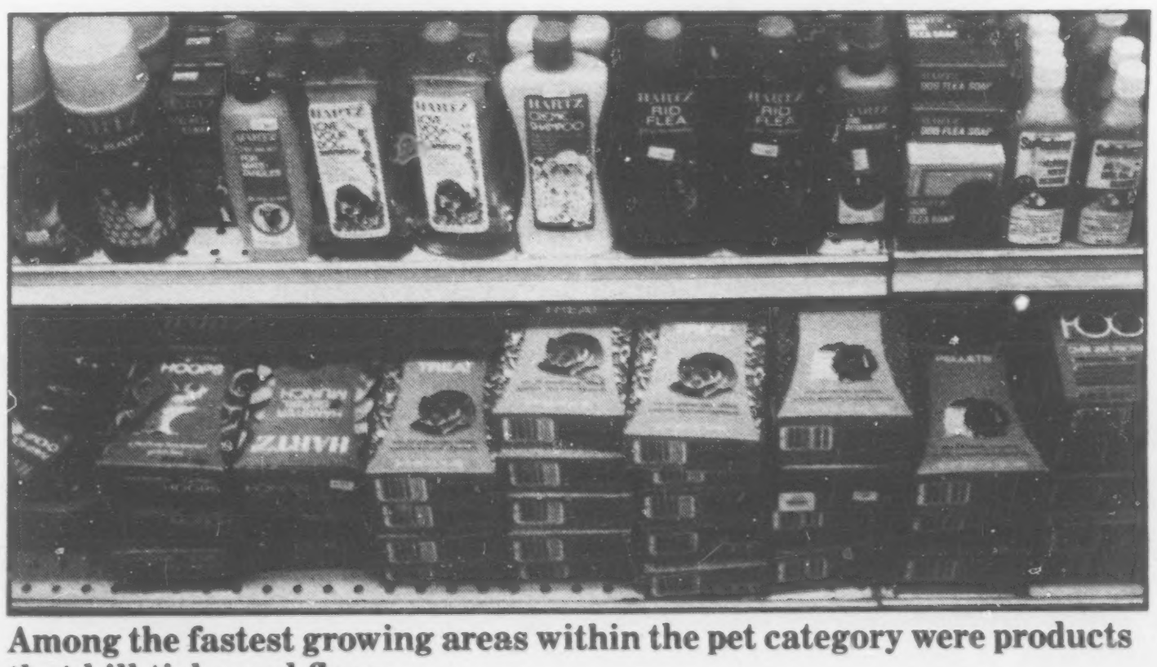
1982 General merchandise department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Personal care (incl. elec. razors)	$282,719	+6.8	18.4
Sunglasses	222,951	+7.4	14.5
Pet needs	185,060	+7.1	12.1
Sporting goods	165,369	+7.5	10.8
Pantyhose/soft goods	240,673	+6.8	15.7
Watches/bands	123,767	+7.0	8.1
Home electronics	113,189	+8.2	7.4
Yarn/sewing notions	100,167	+6.1	6.5
Vaporizers/humidifiers	23,619	+7.2	1.5
Giftware	32,208	+7.7	2.1
Personal care/ rubber sundries	22,053	+6.4	1.4
All others	21,546	N/A	1.4

Source: *Drug Store News* survey



Last year, sales of sunglasses were $223 million, a 7.4% increase over 1981. Sunglasses contributed 14.5% to the department's overall sales in 1982.



Among the fastest growing areas within the pet category were products that kill ticks and fleas.

PRODUCTS

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Auto items drive up DIY sales

Surging sales of automotive products helped drive DIY sales up 11.2% last year to $761.1 million.

Automotive department sales accelerated a hefty 20.7% in 1982 to $220 million. However, other DIY categories did not fare quite as well. Hardware sales, which includes plumbing supplies, electrical products, hand and power tools and home improvement materials, were generally flat, increasing only 5.1% to $249.3 millon last year. Paint and paint supplies also produced unimpressive growth rates, advancing 5.1% to $85 million.

Overall, automotive sales contributed 28.9% of the DIY department sales, up from the 26.6% recorded in 1981. The percentage of DIY sales generated by hardware products slipped from 36.4% in 1981 to 34.4% last year. Paint and paint supplies, which in 1981 accounted for 11.8% of the department sales, also shined less brightly as its share of DIY sales dropped off to 11.2%.

Drug retailers were not taken off guard by the growing demand for automotive products. Many chains have been expanding their auto sections for the past few years.

Steady growth

One automotive buyer for a major drug chain in the South said the category had been showing steady growth over the past five years, but in the last year grew by "leaps and bounds." Automotive sales jumped 35% to 40% last year, the buyer said.

Chain drug stores are enjoying increased profits from their auto sections partly at the expense of American automobile manufacturers. Sales of new automobiles by the Big Three in Detroit continued to stall in 1982 as consumers, fearing possible layoffs and suffering "sticker shock" from new car prices, have opted for keeping the cars they have been driving.

The average age of automobiles in use in the United States has grown well beyond what many auto experts predicted several years ago. Today, the typical American automobile is 7.2 years old, according to industry sources. In 1974, the average car was 5.7 years old.

1982 Do-it-yourself department highlights

Chain drug Do-it-yourself sales	$761,104,000
1982 percentage gain	+11.2%
Percentage of total chain drug sales	2.7%
Typical gross margins	35% to 45%
Industry gross profit yield from Do-it-yourself last year	$265,-$342,000,000
Average no. of annual dept. turns	3

1982 Do-It-Yourself department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Hardware	$262,033	+ 5.1	34.4
Automotive	220,013	+20.7	28.9
Batteries	194,081	+12.4	25.4
Paint/paint supplies	84,977	+ 5.1	11.2

Source: *Drug Store News* survey

As the age of cars on the road has increased so too has the demand for automobile replacement parts. Many retailers reported that sales of hoses, belts, filters, tune-up kits and a host of other auto care products have risen markedly during the past year. Oil continues to be a popular auto item, especially when used as a promotional tool.

Many chains used auto products as traffic builders with greater frequency last year, and with good results. One auto buyer said that more than $80,000 worth of seat covers were sold during a two-week promotion in the chain's 36 stores. The buyer said that this year he would increase his use of auto supplies in store promotions.

Several retailers pointed out that the success of drug chains in the automotive area has brought an influx of manufacturers to their offices. Such companies as Dow Chemical, Burmah-Castrol Oil, Champion Spark Plug and Union Carbide are making a concerted effort to get their products into drug chains.

Continued sales predicted

If auto sales improve this year, as many analysts expect, will sales volume in chain drug auto sections continue to grow? Many retailers think sales will increase. They point out that because of high car prices consumers will be more inclined to take better care of their new automobiles. As one retailer said, the days of keeping a car for five years and then trading it in for a new model are gone.

In addition, auto parts and chemical sales should remain strong as gasoline distributors discourage their dealers from offering mechanical services so they can concentrate on selling higher volumes of gasoline. While several specialty auto repair centers have sprung up to fill this void, many consumers have elected to handle minor repairs themselves.

The auto do-it-yourselfer has been aided by the vast number of how-to books on the market. Many chains sell these repair manuals alongside their auto products. Several chains have gone a step further by training some of their employees to field consumer questions concerning car repairs and supplies.

With interest rates remaining high enough to keep affordable mortgages out of the reach of many people, sales last year of home improvement and general hardware goods showed only a slight increase over 1981.

Power tools soft

Sales of power tools for carpentry and gardening have suffered the same fate that many household appliances have during the current recession. Despite rebates from manufacturers, sales generally were soft throughout most of 1982.

Another area within the home improvement category which had shown a great deal of promise during the past few years, but which leveled off last year, was energy-saving centers. Consumers put weather stripping, home insulation products and other heat conservation devices on the back burner in 1982. The decline in consumer demand was due to three factors: the recession, the mild winter enjoyed by most of the country and the worldwide oil glut which has sent home heating oil costs spiraling downward.

Plumbing and electrical products also performed marginally during the past year. Many consumers continue to be reluctant to take on these types of jobs. However, retailers reported that sales of such products as electrical tape, extension cords, fuses and drain plungers were strong.

Paint fades

Interest in paint and painting supplies also faded somewhat last year. Many retailers attribute this category's lower growth rate to the depressed housing market.

With the exception of the automotive category, no DIY department ran up as big an increase in 1982 as batteries did. Last year, sales of batteries totaled $172.6 million, up 12.4% over 1981. Batteries also produced 25.4% of the DIY department sales.

While consumer demand in the various DIY categories shifted somewhat during the past year, drug chains say their profile of the target consumer hasn't changed. Retailers continue to key in on men between the ages of 25 to 45. Census figures indicate that by 1986 more than 30% of the population will fall into this category.

Drug retailers link the performance of the DIY sales this year, particularly general hardware and paint and painting supplies, to the overall health of the economy. Automotive product sales, they say, should continue to grow even if the recovery stalls.

The ideal situation that retailers envision is the continuing resurgence of the housing industry throughout the remainder of the year into 1984. That scenario would dramatically improve DIY sales next year.

Home improvement and general hardware goods showed only a slight increase in sales this year.

As the average age of automobiles on the roads has increased, so have sales of automotive products.

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Shoppers tune into video games

Explosive growth in the video and computer markets spilled over into drug stores last year and accounted for more than 5% of all dollars spent in chain drug toy departments.

Last year was the first time enough units were sold to be a force in the toy departments, so it could not be calculated how much video and computers sales increased above 1981 levels.

The growth in the new category was especially welcome last year because the established toy categories grew at a rate of less than 1%. That was true across the toy industry and was not limited to drug stores.

Dominated by growth in video and home computers, toy sales in chain drug stores grew 5.6% in 1982 to generate sales of $900.3 million.

The category contributed 3.1% of the sales in a typical chain drug store. The items turned at a rate of four per year.

Although toys remained one of the slower turning categories, the section produced gross margins in the 35% to 40% range. However, promoting cartridges for video games reduced the margins on the items to as low as 10%.

Chain drug merchandisers who plunged into the video cartridge arena early reaped the highest gross margins.

As more retailers began carrying the cartridges, competition became more intense and margins decreased. But even going into the 1982 Christmas season, a popular cartridge could still command a gross margin of 35%.

Christmas accounted for more than one quarter of all toy sales at many chains.

Conventional games still lead the toy category in 1982, comprising 16.5% of toys sold in chain drug stores.

1982 Toy department highlights

Chain drug toy sales	$900,268,000
1982 percentage gain	+5.6%
Percentage of total chain drug sales	3.1%
Typical gross margins	35% to 40%
Industry gross profit yield from toys last year	$315,-$360,000,000
Average no. of annual dept. turns	4

1982 Toy department productivity

Category	Total sales (add 000)	% of increase	% of dept. sales
Games	$148,497	0.2	16.5
Pegged toys	122,894	0.2	13.7
Cars	115,270	0.5	12.8
Boxed toys	105,931	0.3	11.8
Kites	96,003	0.6	10.7
Preschool	80,382	0.4	8.9
Plush	66,567	0.2	7.4
Dolls	65,845	0.4	7.3
Hobbies	52,965	0.3	5.8
Video/computer	45,914	NA	5.1

Source: *Drug Store News* survey

The video and computer market is now segmented three ways. The console units that accept game cartridges are heading below the $100 mark at retail. Retailers found little room for profit with the consoles, but some found selling the consoles boosted the sales of the more profitable cartridges.

Margins declined

Although margins declined in this second area as competition increased, chain drug stores concentrated there anyway.

The computer market, the third area, grew especially fast, and some drug chains sold computers for as little as $79. Increasing sophistication of low-priced computers may drive the game consoles off the market in the near future. Consumers may prefer a video console that doubles as a computer, especially when the computer is in the same price range as a game console.

The very success of electronics put the damper on other toy categories, although licensed products continued to do well. Another break in the trend was the rubber wall walker, which was the mini-fad of early 1983.

Electronics dominate

By and large, however, the electronics sucked enough money out of the toy market to make it difficult for consumers to have anything left over for more traditional games.

Once a computer or game console is purchased, consumers are more likely to buy cartridges for that unit so they get more variety from their relatively high cost console.

In the games category, traditionally the biggest segment of a chain drug store toy mix, lower-priced games in the $5 range proved to be more successful than games at the high end of the spectrum, around $10.

Chains which entered the video market early reaped the highest profits as competition soon became fierce.

The lower-priced games were the main reason sales of games increased 0.2% in chain drug stores.

The percentage of sales contributed by games to chain drug toy departments declined from 17.4% in 1981 to 16.5% because of the emergence of video, which gained at the expense of all other categories.

Wall walker sells

Pegged toy sales also were flat last year, although some chains reported outstanding success in early 1983 with the wall walker, a 2.5-in. rubber octopus or spider that crawled down a wall or window after being thrown against it.

As with most trendy items, the chains that carried the wall walker early were the ones that made the most money on it. The item first appeared in late January, peaked a month later and died by late March.

Wholesale prices to chains dropped as more wall walkers flooded into the United States from the Far East. Chains that locked themselves into one price for the wall walkers were at a disadvantage against other retailers who bought in at a lower price.

One chain reported the wholesale price fell from more than 90¢ to less than 40¢ in two weeks.

The wall walker mini-fad appears to have followed the path of most new trendy items: a fast rise followed by a quick fall.

Rubik's Cube, a big hit in 1982, also followed the meteoric rise and fall route, but was popular for a longer period than the wall walker.

Differs from past

These flashes of popularity are a departure from the past pattern. Formerly trendy items would cool off, but remain a staple that continued to sell at a slow but steady rate.

Chain retailers said 1982 set the tempo for trendy items for the next few years. While some chains plan to be more aggressive in searching for that hot item this year to make sure they are part of the next trend, others plan to avoid these types of items completely. They fear ending up with large inventories of unsalable merchandise.

One area that remained strong for most chains was licensed products, which appears to be growing every year with the introduction of new items.

Last year, Smurf, Raiders of the Lost Ark and Strawberry Shortcake were popular. This year, the Care Bears will be launched with a large advertising budget.

However, the proliferation of licenses has reduced the guaranteed success of a licensed product. One buyer said a license must either be on a very good product or be related to the product to make it sell.

Following video and licensing, kites were the most successful items in some chains. Chains that loaded up on kites as warm weather approached in the spring of 1982 capitalized on big sales. Merchandisers pointed out that kites are an attractive drug store product because of their low-price points.

However, the product was not carried by all chains.

PROFILES

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Walgreens: en route to $3 billion

RESULTS. Walgreens broke the $2 billion mark in 1982 and expects to reach $3 billion in annual sales by 1985. Sales and earnings at the Deerfield, Ill.-based chain have grown at a steady, controlled rate.

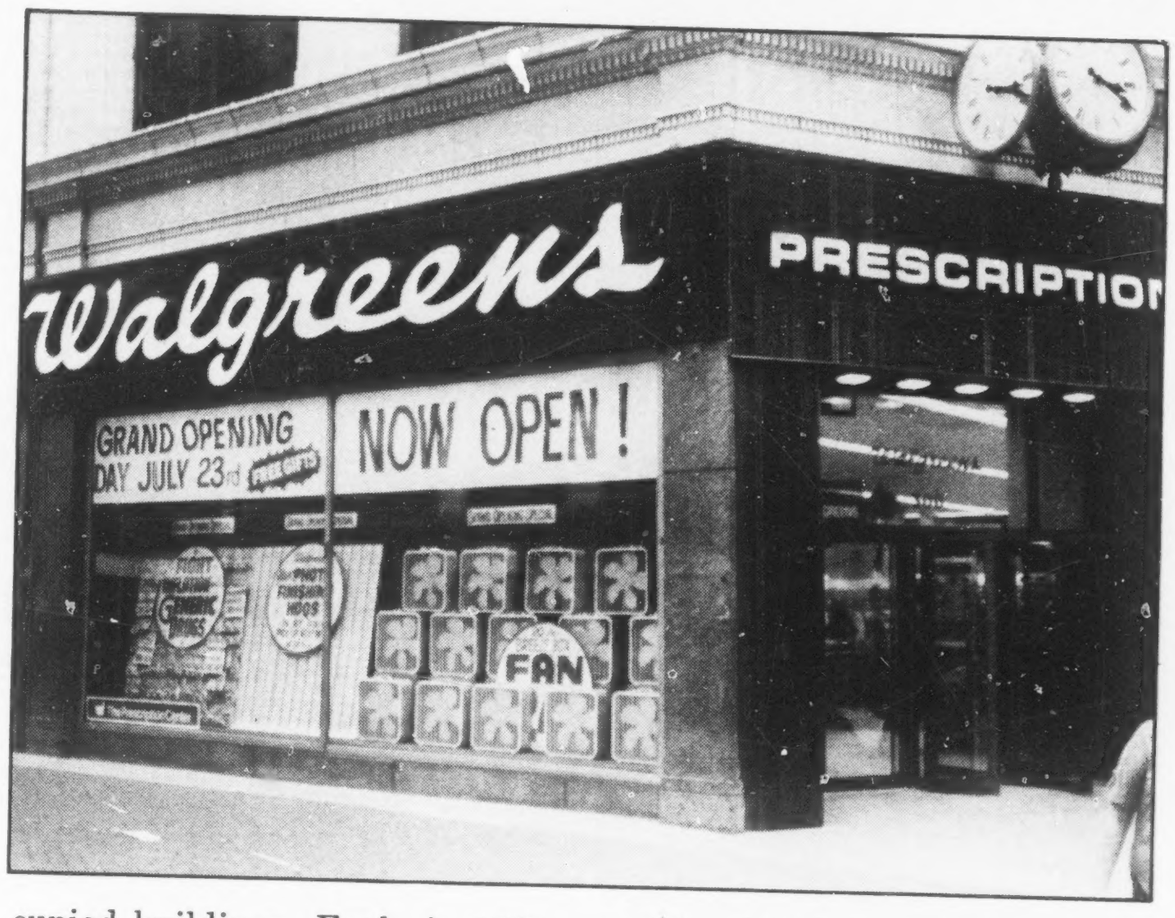
In fiscal 1982, sales advanced 17% to $2.04 billion. Sales were paced by the drug store division, which posted a 17.7% sales gain for the year.

LIFO-adjusted net earnings rose 33.1% to $56.1 million. Since 1978, earnings have more than doubled. Earnings, in the past five years, have shown a compound growth rate of 23.1%, one of the best in the chain drug industry.

Part of the key to Walgreens' impressive results has been the huge volume figures pumped out of the stores. The 883-store drug chain averaged $2.2 million per store in 1982. In 1982, the drug stores averaged 8,850 sq. ft. and produced sales per square foot of $226.

EXPANSION. Walgreens expanding cash flow continues to be generated by earnings increases and growing depreciation. Therefore, growth has been internally financed, avoiding long-term debt. In 1981, $33.6 million was spent on food and drug stores; $34 million was spent in 1982, and $51 million is projected for 1983.

The money is intended for 80 new drug stores, 15 Wag's and 60 remodelings. Last year, 71 new drug stores were opened and 32 were remodeled. Forty per cent of the new stores were opened in previously occupied buildings. Early in 1983, Walgreens made its first acquisition in some time with the purchase of Longmont, Colo.-based Sullivan Drug Co., a four-store chain.



Expansion continues to be in strong existing markets. For example, 79% of all stores are located in the chain's 34 major markets. In 28 of those markets, Walgreens is either the No. 1 or 2 ranked chain, based on market share.

Chain president Fred F. Canning targets markets such as Houston, Chicago, St. Louis and areas in California for future growth. He believes the chain has far from saturated markets across the country.

DISTRIBUTION. Last year was the second year of major development and investment for the distribution network—one of the most sophisticated in the industry. A new 350,000-sq.-ft. facility was opened near Madison, Wis., last February and a 200,000-sq.-ft. center will open in April 1983 in Flagstaff, Ariz. In Orlando, Walgreens operates a state-of-the-art facility opened in 1981.

In addition to the massive size of these units, all of them are highly automated. The net result has been a 25% decrease in distribution costs and store-order turnaround time has been reduced to three days for over half the stores.

Expenditures for warehousing, new stores, restaurants and remodeling for the past two years totaled $148 million.

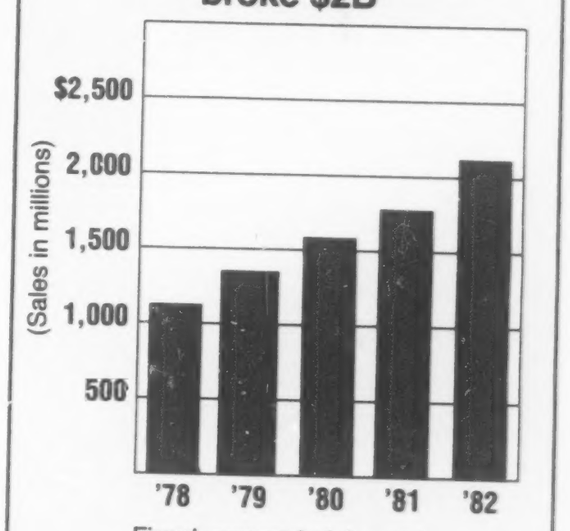
DEVELOPMENTS. Intercom, Walgreens in-store pharmacy terminal system, will be chainwide by January 1984. The system records patient profiles, updates prescription prices, provides income tax and insurance data for customers and performs third-party billing. Eventually, the terminal will serve the entire store. For example, it will be used to transmit daily sales figures and employee time and attendance data to headquarters. The ultimate goal is to take much of the routine paperwork from the store.

In store formats, Walgreens continues to show interest in the mini-food concept. There are now 42 mini-combos with 800 basic grocery items merchandised in 1,000 sq. ft.

Private label will receive a greater push at Walgreens. Several private label sundry products are now being manufactured in the Orient and a hair care line of appliances is being produced there, too. A new natural line of private label vitamins was recently introduced and is doing well, according to chain officials.

ADVERTISING. The commitment to television advertising is rising at Walgreens. Last year's television budget was up 118% over the year before and will continue to expand in 1983. In print, 98% of the stores were supported by tabloid advertising. Fifteen million potential customers were reached 22 times by full-color tabloids.

Sales at Walgreens broke $2B



Source: Company reports

Walgreens' breakout of sales

General merch.	33%
Rx drugs	16%
Liquors, beverages	15%
Proprietary drugs	13%
Cosmetics, toiletries	12%
Tobacco	6%
Food services	5%

Source: Company reports

Big B's net margin tops 2.9%

RESULTS. Maturing stores, diversification into combination units and continued expansion powered Big B to increases of more than 24% in sales and net earnings for fiscal 1983.

Net income for fiscal 1983, which ended on Jan. 29, was $2.54 million on sales of $87.4 million. That was a 26.4% increase in net earnings and a 24.7% increase in sales.

The percentage gain in income was not matched by earnings per share, which rose 18.2% to 78¢, because 870,000 shares were issued during the year, increasing the number of outstanding shares to 3,276,914.

The performance boosted the chain's net income to sales ratio above 2.9%. That, coupled with expansion, made Big B one of the high flying stocks of 1982 with a price/earnings ratio of 20-1.

EXPANSION. During calendar year 1982, Big B increased its warehouse space 13.3% to 102,000 sq. ft. to feed an increased number of stores and to handle Big B's entrance into the combination store business.

Big B finished the year with 83 stores, an increase of 11. Four of the new stores were acquired as a block purchase of the four-store Jones Brothers chain in southern Mississippi.

Two of the new stores are combination units in the 32,000-sq.-ft. range.

Big B continued to install pharmacy computers in each new store. Three stores were remodeled.

Going into calendar 1983, Big B had three stores under construction, including a combination store. The chain planned to add at least 10 traditional drug stores and at least two combination stores this year.

DIVERSIFICATION. The chain's move into 32,000-sq.-ft. combination stores completed the cycle for many Big B executives who started out with the Bruno's food chain. Two years ago, Bruno's spun off Big B, its drug division, into an independent company.

In 1982, Big B built its first two combination stores and a third is under construction. The combination stores are dubbed "B-Mart Food & Drug," and their link to Big B is illustrated on the outside of the stores by a logo that is similar to Big B's.

The combination stores are full-line supermarkets, and large crowds of shoppers welcomed the opening of the first two units. Two-thirds of the combo stores are devoted to supermarket items while one-third is set up as a typical drug store. The combos have pharmacies.

The area devoted to drug is slightly bigger than the 9,000-sq.-ft. prototype of the Big B drug store.

PROFILES

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Osco, Sav-On bolster Jewel

RESULTS. While Jewel Cos.'s Mexican arm, Aurrera, and the economy sapped its overall performance, the two drug divisions, Osco and Sav-On, bolstered the results.

Osco, with 296 stores in 20 states, had a sales gain for the year of 16% and an increase in pretax earnings of 41.9%. Sav-On, operating 174 stores in five states, had a before-tax earnings gain of 12.6% on sales which increased 13% over the prior year. The two drug operations account for 55.8% of Jewel's United States pretax earnings.

The drug stores clicked for a total earnings of $58.8 million in 1982, a 30% jump over the $45.2 million posted the year before. The impressive earnings increase is attributed to new stores, higher productivity in existing stores, improved promotional efforts and better results from a full year of operating Sav-On.

Jewel's fourth quarter, ended Jan. 29, 1983, was tough for both the supermarkets (Jewel, Star, Buttrey and Eisner) and the drug stores. Overall, Jewel's sales rose 6% to $1.4 billion, while earnings dropped 12.4% from $34.2 million to $30 million. Net income at the supers was down 22.8% because shoppers, reacting to the economy, reduced their level of food purchases, according to Jewel.

While drug store sales were 14% higher than the prior year, earnings increased only 3.3% because consumers concentrated their purchases in lower margin items.

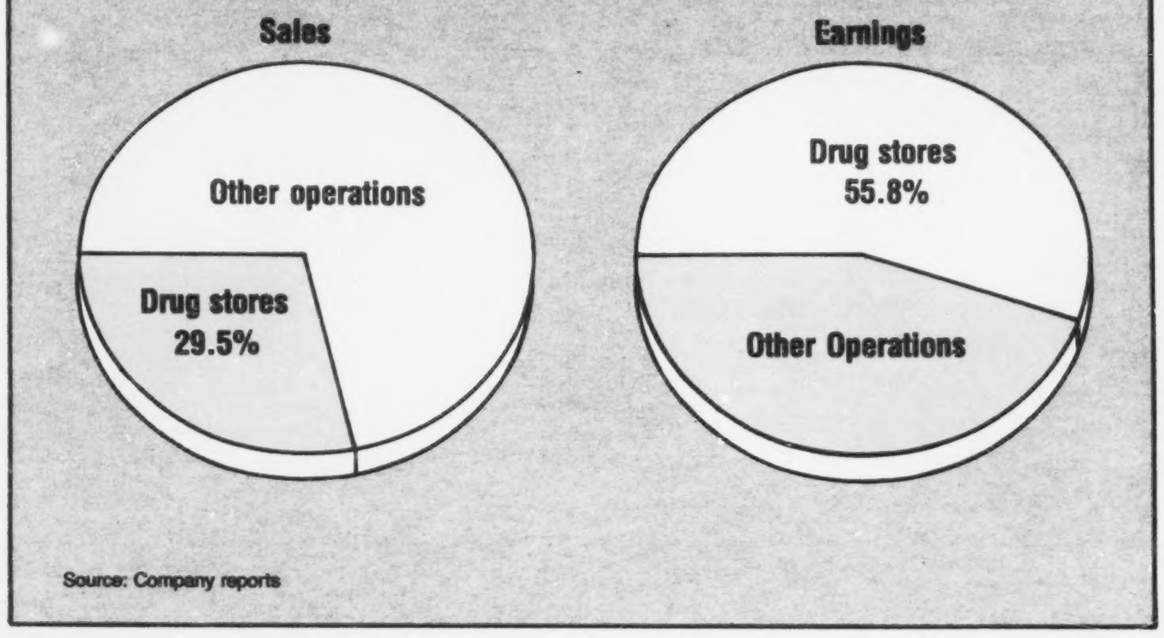
EXPANSION. Food/drug combination stores, however, remain at the top of the expansion list for Jewel. The company likes the fact it can sucessfully tie together the turns and volume done in supermarkets with the margins reaped in drug stores.

The company uses several drug formats—side-by-side stores with food and drug, food and drug sharing a checkout, solo drug stores and drug/home improvement combination stores. A great deal of expansion will come from the combo store with a shared checkout. Solo Osco and Sav-On stores will continue to be opened, however.

According to Weston R. Christopherson, chairman and ceo of Jewel, drug stores are targeted for strong performances in 1983.

"Sales of our drug store companies, especially Osco—which operates in more diverse markets than does Sav-On, which is substantially dependent on the currently depressed California economy—remain on a good trend. Given a return to more normal margins, continued excellent productivity at Osco and improvements at Sav-On, we look for 1983 earnings from these companies to be well ahead of 1982," reported Christopherson.

Osco and Sav-On's 1982 contributions to Jewel



Source: Company reports

Since the Osco acquisition in 1961, the company has invested heavily in this drug division. During 1982, 16 Osco units were opened, 18 Sav-Ons were added (including a few conversions of Osco to Sav-On).

OPERATIONS. Jewel's combos average 51,000 sq. ft. with 64% of the space area devoted to food and 36% to drugs. The company feels these units have strong customer appeal in terms of variety of products, convenient one-stop shopping and the range of services offered. Together, the operation produces higher operating margins than either generates separately.

These stores feature large departments including items such as home computers, video games and cameras. The solo stores also have a heavy general merchandise and seasonal mix.

OTHER OPERATIONS. In addition to its drug and food stores, Jewel operates convenience stores and has equity investment in Aurrera, a Mexican retailer.

Revco posts record sales, earnings

RESULTS. Despite the national recession, Revco Drug Stores steamed ahead with record sales and earnings for the calendar year ended Feb. 5, 1983.

Net earnings for the four quarters ended Feb. 5 advanced 23.5% to $57.8 million on sales of $1.7 billion compared to earnings of $46.8 million on sales of $1.5 billion in the comparable year earlier period. For the 36-week period ended Feb. 5, net earnings advanced 25% to $40.7 million, or $1.98 per share, on sales of $1.2 billion, compared to earnings of $32.4 million, or $1.59 per share, on sales of $1 billion in the prior year.

During the third quarter, the most recent period for which results are available, Revco reported net earnings rose 29% to $16.1 million, or 78¢ per share, on sales of $439.2 million, up 15% from sales of $383.2 million in the comparable year-earlier period. Adversely impacted by inclement weather, earnings in the third quarter of the prior year were $12.5 million, or 61¢ per share.

Strong gains in comparable store sales, a reduction in expense and inventory costs and lower interest rate charges were all credited for the company's improved bottom line during the first three quarters.

Sales from like stores (those open one year or longer) increased 11.8% during the most recent third quarter and 36-week period, and like-store pharmacy sales increased 23% in the third quarter and 20.3% year-to-date, a trend reflected last year throughout the chain drug store industry. Prescription units also increased last year on a like-store basis, up 8.6% in the third quarter and 5.3% year-to-date.

Like-store sales gains in Revco's 146-store Skillern division, acquired in February 1981, were below the chain's average, in part because of the nationwide recession as well as devaluation of the Mexican peso. Losses from the Skillern division, accounting for interest expenses associated with the acquisition, totaled 4¢ per share in the first three quarters.

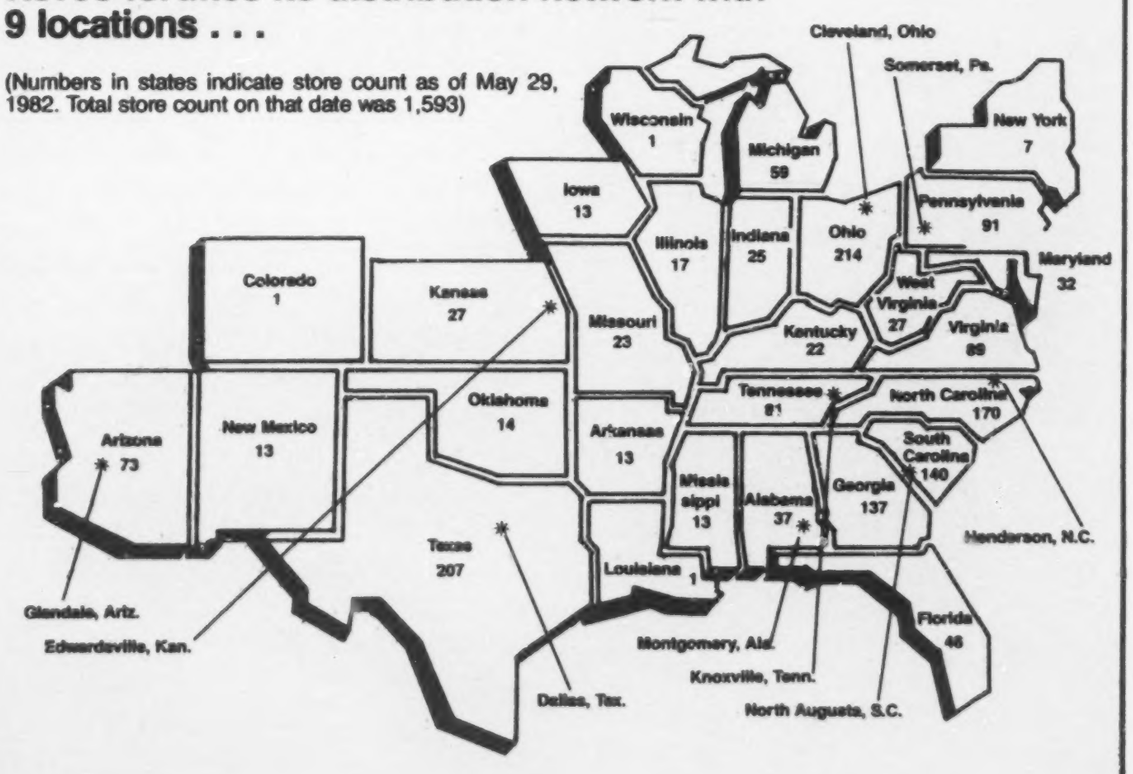
EXPANSION. During the first 36 weeks of fiscal 1983, Revco opened or acquired 50 stores, bringing its total store count to 1,639 units in 28 states. Leases had been signed for another 30 stores that were to open by the time Revco's fiscal year ends May 30. Sidney Dworkin, chairman, president and ceo, said current trends indicate Revco will achieve another record performance during fiscal 1983, with results meeting or exceeding the company's target of 15% annual increases.

DISTRIBUTION. Expansion of Revco's distribution system continues to reflect the chain's consistent store growth, especially in Southern states. Last month, the company opened a new 243,700-sq.-ft. warehouse and office complex in Kansas City, Kan., and, began receiving merchandise for June distribution from a new 291,000-sq.-ft. facility in Montgomery, Ala. The Alabama distribution center will serve Revco stores in Southern states, which represented more than half the 87 stores added in fiscal 1982, and collectively, now account for 50% of the entire chain. A 60,000-sq.-ft. addition to Revco's Henderson, N.C. warehouse is expected to be completed early this summer.

The $25 million price tag on these three projects was financed largely through industrial revenue bonds.

Revco fortifies its distribution network with 9 locations . . .

(Numbers in states indicate store count as of May 29, 1982. Total store count on that date was 1,593)



Source: Company reports

PROFILES

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Thrifty sales up 6.8%; profits 3%

RESULTS. Despite the sluggish economy, Thrifty managed to increase sales and profits over fiscal 1981: 6.8% in sales—from $1.054 billion to $1.126 billion—and 3% in net profit—from $17.8 million to $18.3 million.

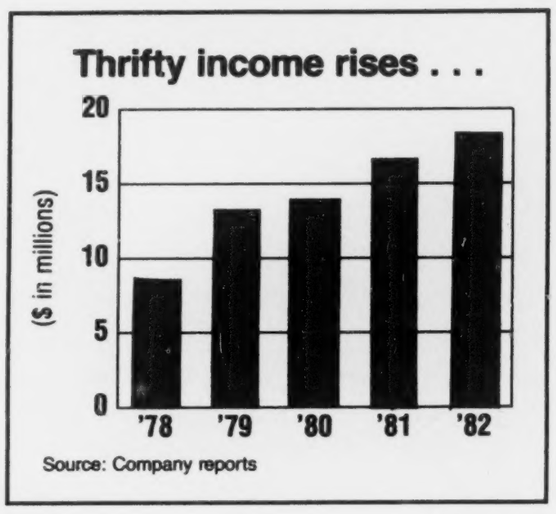
This fiscal year marks the 53rd consecutive year in which sales have increased over the previous year. In addition, "same store" sales (not including sales of stores opened during the last two fiscal years) outdistanced the previous year for the 28th consecutive year.

Sales and profits for the first quarter of fiscal 1983 (ended Nov. 30, 1982) also ran ahead of the same quarter in 1982: Sales rose 2% and earnings 13.6%.

On Nov. 30, 1982, Thrifty operated 535 drug stores, 63 sporting goods units, and 27 food service units, as well as 104 book stores.

STREAMLINING. Thrifty Drug has strengthened its winners (the Perfecto drug stores); unloaded its losers (Akron and Wonder World); trimmed marginal food-service units (coffee shops), and plunged into books and auto supplies (Crown Books and Trak Auto) in partnership with Dart Drug of Washington, D.C.

THE WINNERS. Years ago, Leonard Straus, Thrifty chairman, boasted that Thrifty stores had the lowest inventory investment of any comparably sized drug store. Straus found the handmaiden of low inventory is out-of-stocks, and in the last five years Thrifty has reversed course.

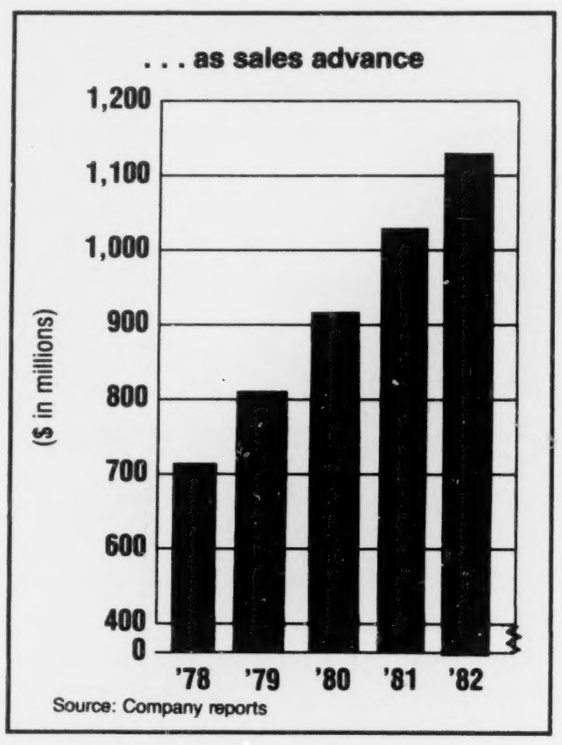


Thrifty's Perfecto prototype is 18,000 sq. ft., overall, 15,000 sq. ft. selling. New color motif, improved housekeeping, fuller facings, and more national brands are helping to erase the "also-ran" image. In addition, a chainwide program of remodeling in the Perfecto image is ongoing, with 45% of stores completed and the rest due within the next five or six years.

THE LOSERS. Akron, a 21-store specialty retail chain, was sold early in calendar 1983 after losing money every year since Thrifty acquired the chain in 1976.

Another loser was the four-store Wonder World discount chain in Las Vegas, in which Thrifty held the master leasehold since 1973.

Thrifty's coffee shops are in a gray area. The number of food-service units has dropped from 33 in 1979 to 27 on Nov. 30, 1982. The profit-makers are being remodeled, and the red-ink units are bowing to Crown Books and Trak Auto West.



THE COMERS. Crown Books and Trak Auto West are convenience, discount-priced approaches to books and auto supplies. Crown units are 3,000 sq. ft. and carry approximately 10,000 titles and 50,000 volumes. Every book is discounted, with best sellers slashed 35%. By December 1983, there will be 160 Crown Books coast-to-coast.

Dart operates 39 Trak Auto stores in the Washington, D.C., area, and Thrifty will open 10 stores—starting April 1983—with 20 more by August 1983. Trak stores are 6,000 sq. ft. and are open 86 hours per week. They offer discounts of 35% to 51% on parts.

Leonard Straus admits what attracted Thrifty to Trak is that "sales volume of auto parts and accessories in southern California is more than twice the entire drug retailing volume."

TECHNOLOGY. Thrifty has taken giant steps to harness the computer.

After testing the Honeywell DPS 6 pharmacy terminal for almost a year, Thrifty is starting to test a second system: IBM 1. Both systems are stand-alone, with a host computer at the central office.

The IBM 1 system was added because Thrifty is striving for additional potential applications such as energy management, electronic payroll reporting, and POS reporting.

A first-step application is to measure gross margins of promotional merchandise as well as to update prices.

Other computer uses in fiscal 1983 (ending Aug. 31, 1983) include: improved hardware and software for direct delivery to the stores; a linkup with major vendors for computer-to-computer ordering, and a Merchandise Control System (MCS) for the warehouse. MCS, which reduces the cost of handling, also provides for zone retail pricing.

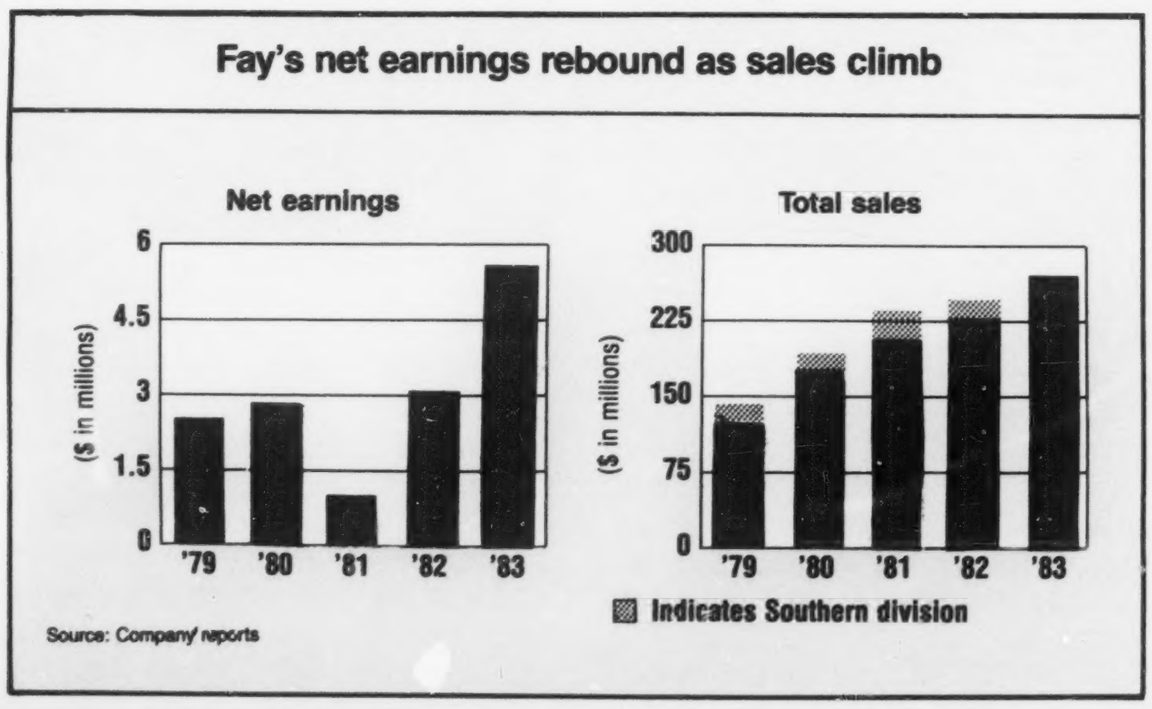
During the next 18 to 24 months, other electronic programs will be in place, including corporate financial forecasting and in-house administration of health and dental programs (with comparison costs and benefits for each health plan).

Fay's: champion earnings gainer

RESULTS. Fay's Drug emerged as an industry pacesetter in fiscal 1983 with performance gains outstripping those of all but a handful of other major chains.

Net earnings for the year rose 78% to $5.4 million, or 95¢ per share, on sales of $270.3 million, compared to income of $3 million, or 54¢ per share, on sales of $237.8 million in the prior fiscal year. For the fourth quarter ended Jan. 31, the upstate New York chain reported net earnings of $2.5 million, or 43¢ per share, on sales of $78.9 million, compared to earnings of $1.7 million, or 30¢ per share, on sales of $67.6 million in the comparable year-earlier period.

The record performance gains not only capped one of Fay's most eventful years ever, but also served as a fitting prelude to the chain's gala 25th anniversary, to be celebrated throughout the course of this year.



Fiscal 1983 was also highlighted by significant gains in the value of Fay's common stock, which besides splitting 2 for 1 late in the year, was accepted for trading on the New York Stock Exchange. Fay's, in fact, had one of the nation's top performing stocks in calendar 1982, finishing third on the NYSE behind Coleco and Chrysler. The company's stock finished the year at 25¼, up 304% from 6¼ on Dec. 31, 1981. Between Jan. 1 and March 14 of this year, its value increased another 80% to 22¾ (accounting for the 2 for 1 split).

EXPANSION. During fiscal 1983, Fay's opened eight new stores, boosting its total store count to 92 units. Since then, the chain's 13th store in the greater Buffalo area opened, the first of nine new stores slated to open this year.

PENETRATION. Fay's recent success stems from a strategic plan developed shortly after the company pulled out of its unprofitable Carolinas division two years ago. That plan focuses on filling in Fay's existing market areas with new stores located within a 250-mile radius of the chain's Liverpool, N.Y., distribution center. With average annual sales per store in excess of $3 million, the plan appears to be working.

"Our increasing market penetration and sales per store have afforded us economies of scale which are being reflected in the bottom line," company chairman Henry Panasci Jr. told New York securities analysts late last year.

Panasci also outlined for analysts his company's ambitious 10-year growth plan that calls for "internally generated" store growth to 220 units.

In addition, the plan targets average annual compounded sales growth of 16%, to be achieved by a 10% increase in stores each year and a corresponding 6% to 7% increase in sales.

MERCHANDISING. Another factor in Fay's outstanding fiscal 1983 performance was its merchandise mix, a fine-tuned blend of traditional drug store categories plus expanded general merchandise departments. Expanded greeting card, school and office supplies and automotive departments reflect recent changes.

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Peoples '82 profits increase 13%

RESULTS. In its most profitable year ever, Peoples Drug Stores reported that net income increased 13% to $10.4 million on sales of $688.4 million for the year ended Sept. 30, 1982, up 9% from sales in the prior year (or 3% in comparable stores).

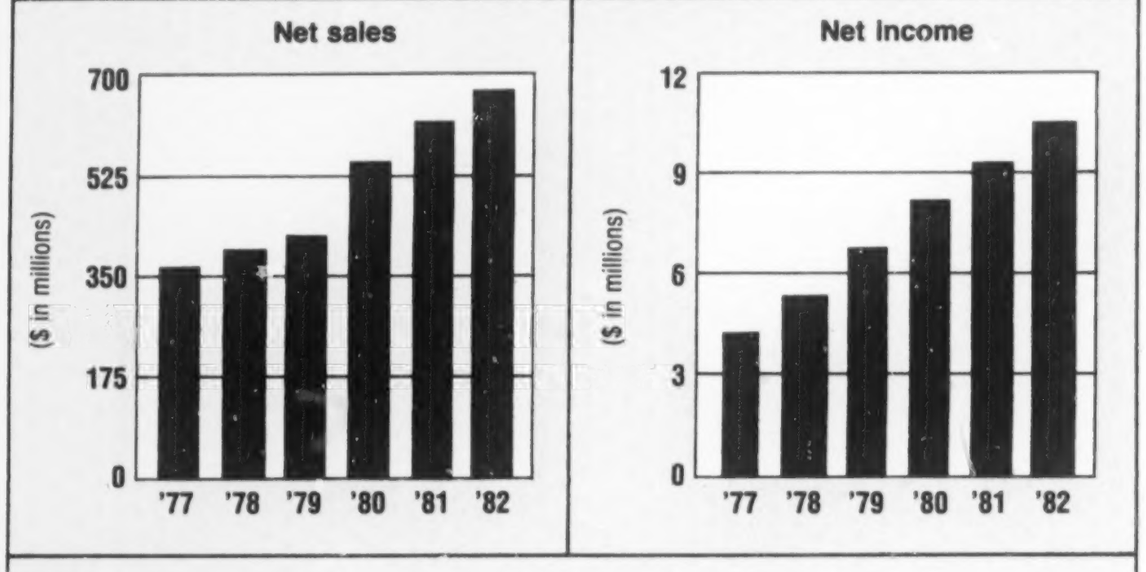
Prescription sales accounted for 23% of Peoples' total sales volume in fiscal 1982 and seasonal merchandise about 15% of sales. Rx sales in comparable stores increased 17% last year. Private label products accounted for 7% of all warehouse issues.

The 564-store chain reported average per-store sales of $1.24 million in fiscal 1982, and average sales-per-square-foot of $169. Sales per store were up 3.2% over the prior year, and during the past five years, they have increased 16%.

Besides prescriptions, other categories leading Peoples' sales were health and beauty aids (28%), seasonal and sundries (21%), candy, food and tobacco (15%), books, magazines and greeting cards (7%), and photo (6%). Average gross margins for Peoples stores last year were 25% and the chain's expense ratio for the year was 20.5%. The year's net-to-sales ratio was 1.51%.

Peoples reported equally impressive gains for the first quarter of fiscal 1983, ended Jan. 15. Net income for the period rose 16% to a record $5.2 million, or $1.03 per share, on sales of $248.7 million, up 15% from sales of $215.4 million in the first quarter of fiscal 1982. Unlike Peoples three other reporting periods, the first quarter contains 16 weeks, including the voluminous Christmas season.

Steady growth marks Peoples' progress



Source: Company reports

GROWTH. Early this year, Peoples president and ceo Sheldon W. Fantle outlined highlights of his company's 1-2-3 strategic plan, which calls for 1,000 stores, $2 billion in annual sales and a 3% net-to-sales ratio by the end of the decade (1990).

To achieve the store count and annual sales goals, Peoples must open or acquire an average of up to 50 stores per year, Fantle said. Peoples is also continuing to consolidate various marketing, management and operations functions under the Peoples banner. The chain's current 13-state store network operates under eight different trade names.

DISTRIBUTION. Peoples has also announced plans for construction of a new 500,000-sq.-ft. warehouse in Virginia to serve its 260-store mid-Atlantic region. The new facility, scheduled to open within two years, will replace Peoples' original warehouse in Alexandria, Va., as well as two leased facilities in Richmond, Va.

Besides expanding its distribution capabilities, Peoples will proceed this year with the installation of state-of-the-art computerized inventory control systems in its warehouses. The first phase of Peoples' "advanced inventory management systems," referred to as AIMS, will be integrated into existing computer facilities at several Peoples distribution centers this year. The AIMS system is designed to more closely monitor inventory levels, as well as to automatically reorder basic merchandise items.

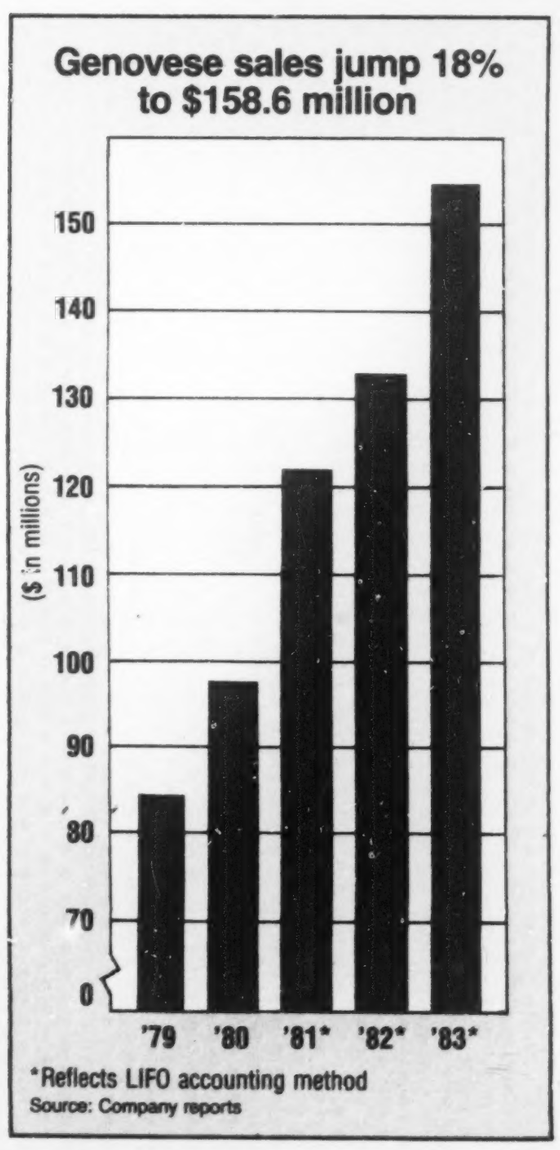
Several other merchandising and buying functions, including the forecasting and tracking of promotional deals and co-operative advertising allowances, will be added to the AIMS system in the future. Eventually, the system is expected to become a key tool in quantifying optimum space allocations for store planograms, as well as optimum gross margin returns on investment.

Over the next two years, Peoples will proceed on a market-by-market basis with the installation of pharmacy computers in its stores. By 1985, the chain's 564 stores in six different divisions are expected to be on-line.

Genovese hits record profits, sales

RESULTS. As with several other chains, Genovese Drug Stores reported record sales and earnings for fiscal 1983, thanks in part to strong Christmas and fourth quarter volume.

Genovese sales jump 18% to $158.6 million

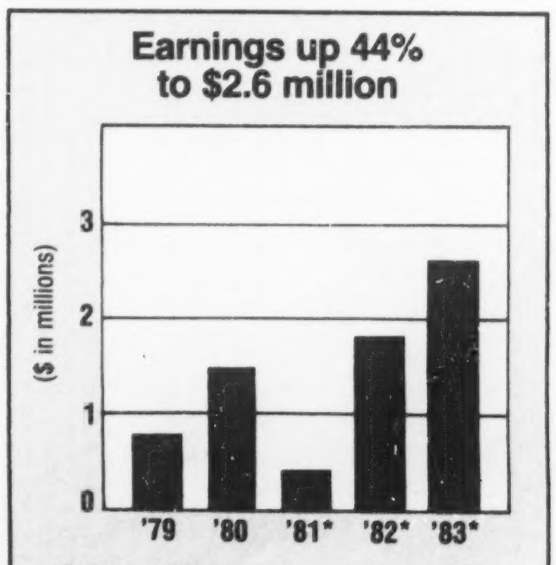


*Reflects LIFO accounting method
Source: Company reports

The Long Island, N.Y.-based chain of 68 drug stores reported sales for the year ended Jan. 28, 1983, of $158.6 million, an 18.3% increase over sales of $134.1 million in the prior year. Net earnings for the year totaled $2.6 million, or $1.60 per share, compared to earnings of $1.8 million, or $1.08 per share, in the prior year.

Fourth quarter earnings totaled $1.2 million on sales of $43.8 million, compared to earnings of $817,000 on sales of $35.2 million in the comparable year-earlier period. One-third of the 24.3% increase in fourth quarter sales was attributed to newly opened stores, while comparable store sales growth last year averaged 11%.

Earnings up 44% to $2.6 million



*Reflects LIFO accounting method
Source: Company reports

The company attributed much of the earnings growth to stabilized gross margins during the year, as well as improved inventory and expense controls, new merchandise categories and expanded promotional campaigns.

EXPANSION. Genovese opened five new stores in fiscal 1983, primarily in Queens and other Long Island communities. In the first quarter of fiscal 1984, two additional stores were opened, and by the end of this month, another two stores will have opened in Queens and Brooklyn. "We've only saturated 40% of this marketplace," a company spokesman said about the openings. "So we are looking to Long Island as the base for much of our growth in the future."

In addition to store expansion, Genovese last year purchased the 50,000-sq.-ft. office and warehouse complex it formerly leased in Melville, N.Y., and subsequently added a 28,000-sq.-ft. addition. Later this year, a state-of-the-art computer system to regulate inventory levels, billing and item movements will be installed in the expanded warehouse. The new system will complement the company's conversion during fiscal 1983 to a comprehensive management information system at corporate headquarters. That system has equipped top company executives with their own computer terminal, allowing them fingertip access to a variety of data.

Capital outlays for store remodelings will be significantly increased during the current fiscal year as the chain accelerates a plan to upgrade its older stores in time for celebration of its 60th anniversary in fiscal 1985.

AUTOMATION. Besides the central office and warehouse, Genovese stores will also begin receiving state-of-the-art computer equipment later this year. The company recently signed a contract with IBM for the installation of Series I computers in each of its pharmacy departments. By the end of the current year, only a handful of installations are expected to be completed. However, by early 1985, all Genovese pharmacy departments are expected to be "on-line."

PROFILES

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Horizons brighten for Pay'n Save

RESULTS. Last year, when Monte Bean, Pay 'n Save's chairman, faced shareholders at the annual meeting, he was flanked by a silent presence: trepidation.

Judging by mail from stockholders, following the announcement that the corporation's profits had dropped32% (following a 2% decline the prior year), Bean feared a hailstorm of criticism.

However, instead of bracing himself for the attack, he took the initiative. He calmly related the facts (high unemployment, high interest rates, etc.) and then explained the belt-tightening measures the chain was taking.

When he had finished, the room was strangely silent, and trepidation retreated to the wings. The facts that Bean related had only marginal effect on the audience. What made the big difference was the quiet confidence and sincerity emanating from the chairman. The unspoken message came through clearly: the present is only a temporary dislocation and the future will bring a resurgence.

At this year's annual meeting, Trepidation will be a no-show because Bean's confidence paid off in the chain's performance.

Net income rose 30% ($16.8 million vs. $12.9 million a year ago. Corporate sales totaled $1.04 billion compared to $949.2 million the previous year. Thus Pay 'n Save joins an illustrious fraternity—the billion dollar club.

Pay 'n Save store count inches up

Name	Type	Number of stores in year '78	'79	'80	'81	'82	'83
Pay 'n Save	**Drug Stores**	**90**	**89**	**89**	**105**	**107**	**112**
Bi-Mart	Discount drug stores	17	18	23	24	26	30
Ernst	Home center	42	47	53	64	68	68
Sportswest	Sporting goods	9	9	10	11	12	14
Yard Birds	Family shopping centers	2	2	3	3	3	3
Lamonts	Apparel	15	17	19	23	23	24
Von Tobel's	Home improvement centers	1	1	2	3	3	3
	TOTALS	176	183	199	233	242	254

The profit picture was brightened by a decline in interest rates which reduced interest expense from $24 million a year ago to $21.4 million for the fiscal year ended Jan. 29, 1983.

Performance of the drug stores (112 Pay 'n Saves and 30 Bi-Marts) closely paralleled the corporation's sales and earnings. Drug store sales were $646.5 million vs. $585.4 million for the preceding year (up 10%), while net earnings were $15.1 million vs. $12 million (up 26%). Drug sales accounted for 62% of total corporate sales (identical to last year and 49% of profits (52% last year).

In its belt-tightening program, Pay 'n Save deferred salary increases for executives and salaried people for three months during the past year.

REORGANIZATION. As part of its lean-and-mean program, Pay 'n Save reshuffled top management to meet the needs of a new decentralized approach to advertising and merchandising after 18 months of centralized control.

The chain also formed a management committee, consisting of nine Pay 'n Save vice presidents, to zero in on long- and short-range goals.

PHARMACY TERMINALS. Last fall Pay 'n Save completed the installation of stand-alone pharmacy terminals in four stores in the California division (now 17 stores after selling three to Bill's in March 1983).

Each of the four stores will be linked to three others, thereby completing a 16-store network. The parameter for installing the stand-alone system is about 2,500 prescriptions per week per four-store cluster.

While the California division is going to stand-alone, Pay 'n Save's 62 stores in Washington and two in Idaho are on-line, at a cost of about $700 per month per store.

The stand-alone units in California cost half as much. However, price alone is not the determining factor. Management feels that when stores are fairly close to each other—as in Washington—customers usually shop more than one store. So on-line works best because each store has access to the Rx files of other stores. In California, stores are spread out, so there is very little cross-shopping. Therefore, stand-alone works well because stores need access only to their own store's files.

In addition to California, Pay 'n Save also plans to add 23 stand-alone units in Hawaii and Alaska this year.

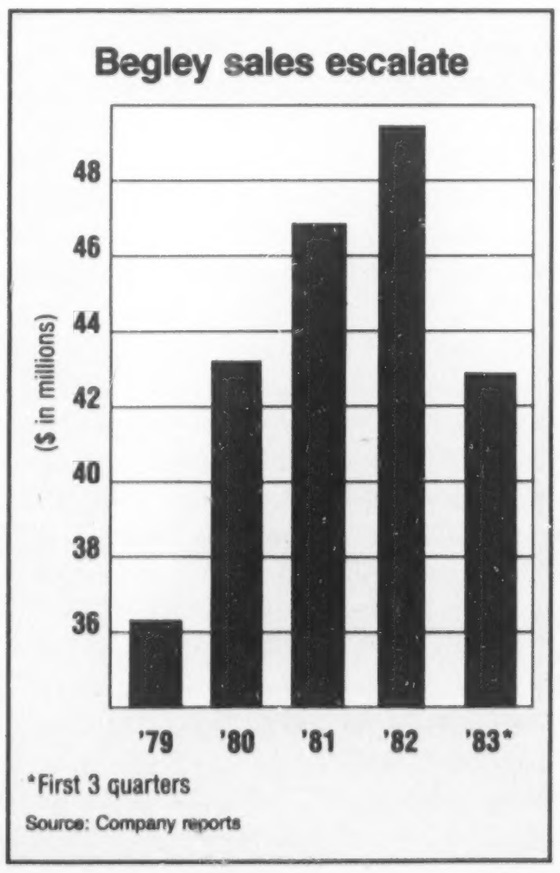
DISTRIBUTION. Pay 'n Save continues to use its 270,000-sq.-ft. warehouse for promotional merchandise as the first step in a multi-phase program. Subsequent phases will be unfolded in the remaining 730,000 sq. ft. of space, but no timetable has been announced.

OPTICAL CENTERS. After three years of operation, the 16 optical centers finally became profitable in 1982. The key to the turnaround was the chain's third-party vision care program with corporations. Enough companies were signed to annual contracts to provide the extra volume needed to crack the black.

Begley completes its turnaround

RESULTS. Robert J. Begley last summer said he found the key to reversing the profit slide at the Begley Drug Co., and by the end of the year he was proven right.

For the first three quarters of fiscal 1983, which ended Dec. 31, Begley Drug posted a net profit of $728,884, an 83.7% improvement over the equivalent period in fiscal 1982.



Earnings per share for the first three quarters of fiscal 1983 were $1.33, up from 70¢ for the first three quarters of fiscal 1982.

Corporate sales, including the dry cleaning division, were $42.2 million for the most recent three quarters, a 12.8% increase over the $37.4 million posted for the first three quarters of fiscal 1982.

Drug store sales for calendar year 1982 were $40.88 million, a 13.79% increase. The dry cleaning division added another $13.3 million to corporate sales during the calendar year.

The earnings improvement boosted the chain's net to sales ratio from 1.1% to 1.7% and investors approved by increasing the bidding price of the stock from 9½ on Feb. 16 to 14 on Feb. 17, a 47.4% increase.

MANAGEMENT. Corporate profits had been sliding since 1979, a trend attributed to the recession, an inventory that included much stale merchandise, and some poor performances by some managers.

In 1982, the chain was reorganized. Outdated and shelf worn merchandise was sold in closeouts and markdowns, and four new district managers were brought in to straighten out the stores.

Orlando F. Segneri, a former district manager at Walgreens, was brought in as senior vp for the drug division.

Although cleaning up the stores and disposing of obsolete merchandise cost the chain more than anticipated, the impact of fresh merchandise improved sales and profits immediately.

STORES. As a result of the resources committed to reorganizing, Begley gained only one store in calendar year 1982. The chain opened three stores and closed two to finish the year with 51 stores, including three full convalescent aids and home health care units.

DIVERSIFICATION. Begley has long operated a dry cleaning business and has manufactured drive-in windows through its Convenience Marketing subsidiary. The company finished the year with 78 dry cleaning stores and 16 dry cleaning pickup stations.

Now, Begley is looking to further diversification by installing Radio Shack franchises in drug stores and by changing the direction of its jewelry business.

The first Radio Shack section was opened in 1981 and the second in 1982. Both sections utilize 17% of 10,000-sq.-ft. drug stores. The decision to go with Radio Shack was prompted by the chain's desire to learn the right way to sell electronics.

Begley eliminated its other electronics lines to make room for the Radio Shack, but chain executives said the move paid off and they plan to open other Radio Shack sections in the future.

Last year, Begley phased out the 16-month testing of its 300- to 400-sq.-ft. Hunt Jewelry stores that had been inside three Begley Drug stores. By the end of the year, one section remained. However, the drug chain planned to open a 2,100-sq.-ft. Hunt Jewelry store in the same shopping center, as a Begley Drug in Cynthiana, Ky.

Begley management views jewelry centers as a natural extension of the cosmetics, gifts and fragrance departments that consumers associate with conventional drug stores.

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Long's expansion inhibits gains

RESULTS. Over the past 44 years, Longs' continuous profit gains have been as indigenous to drug retailing as Mom and apple pie are to the American culture. Or so it seemed until the third quarter of fiscal 1982 when net income dropped 16% and sent shockwaves through the financial community.

However, security analysts noted that the company took a special credit of seven cents a share on the sale of land last year, so when that was factored in, earnings slipped only 6% instead of 16%.

Still, the realities of the marketplace left their mark. Price-conscious shoppers did more cherry-picking, so the ratio of ad sales to total store sales rose, thereby lowering gross margins. Also, during the recessionary years of 1980-82, while other chains dampened their expansion plans, Longs opened 42 units. When start-up costs are added to the cost of maturation (the historical yardstick is that it takes a new superdrug store one to two years to crest the black), then Longs' profit figures take on a new dimension.

Viewed in context, Longs' expansion during economically depressed times bodes well for the future. Due to internally generated funds and sale-leaseback, Longs is able to put a lock on strategic locations without recourse to long-term borrowing.

Even so, Longs' earnings for fiscal 1983 managed to beat 1982 ($30.9 million in 1982 vs. $30.3 million in 1981). Sales rose 12%—from $1.005 billion to $1.23 billion.

RX TERMINALS. After testing its pharmacy terminal system since the summer of 1981, Longs is now rolling them out to the stores at the rate of one per week. Still undecided is whether to go with stand-alone or cluster (whereby two satellite stores transmit to one host-computer store). Longs will make the decision by the end of 1983.

In the long range, Longs plans to incorporate sales data, purchasing, space allocation and ROI into its system.

The Longs' Rx terminal (hardware by Hewlett-Packard, software by Longs) has two exclusive features:

One, doctors can query the pharmacist on drug interaction information even if the drugs are not on the prescription. The terminal not only dictates drug interaction, but writes a three-line text on the details, as well as citing the page in a reference book for more information. And two, it calculates gross profit on acquisition costs but does not require retail calculations to be made on the same basis.

DISTRIBUTION. Longs owns and operates a distribution center in Hawaii. At two other locations (northern and southern California) Longs does not own or lease the facilities, but pays an upcharge per case for handling and shipping. The centers are used primarily for ad and promotional merchandise, and at present handle about 4% of the store inventory.

Store expansion highlights at Longs

Fiscal year	Opened during year*	No. in operation at year-end	Square footage: Company owned (000)	Square footage: Total (000)
1978	11	112	1,529	2,714
1979	9	120**	1,690	2,933
1980	11	130**	1,970	3,212
1981	19	149	2,191	3,728
1982	14	162**	2,392	4,089
1983	12	173	—	4,360

*Does not reflect relocations
**One store closed during year

Source: Company reports

For years Longs' highly decentralized operation made little use of off-site warehouses. The basic format hasn't changed—individual stores continue to buy direct from manufacturers on a close-to-best-buy basis. However, modifications have been made. Because of the size and volume of the stores, chainwide purchases frequently exhaust manufacturer capacity for some promotional merchandise. Thus, Longs feels that more discounts could be significant as the size of its base increases. In addition, there is the need to predict availability and accurately schedule the delivery of promotional merchandise.

NUTRITION CENTERS. This category is growing, but because of Longs' manager-autonomy philosophy, the departments vary in size and scope.

PRIVATE LABEL FOOD. Longs' answer to surging generic food sales in supermarkets is its Kitchen Korner private label line. The rationale: instead of taking on a generic line where not all items have quality equivalent to national brands, Longs opted for a private label where the quality can be more closely controlled so that it does match national quality.

Longs started with six private label foods last summer: mayonnaise, four flavors of preserves and peanut butter. Recently the chain added semisweet chocolate chips, maple syrup and bagged nuts. Next: canned and jar nuts.

Dart's net income skyrockets 318%

RESULTS. Diversified drug, book, auto parts, home center and beer/wine store operator Dart Drug reported a whopping 318% increase in net income for the fiscal year ended Jan. 31, making its year-to-year performance one of the best in the chain drug store industry.

The Maryland-based chain of specialty retail stores reported net income of $17.4 million, or $10.37 per share, on sales of $291.8 million, compared to net income of $4.2 million, or $2.51 per share, on sales of $276.9 million in the prior year.

Nearly two-thirds of the earnings gain reflected Dart's $8.3 million sale to Thrifty Drug of a 50% share in its successful Crown Book East division, as well as 50% of the operating systems for Trak Auto West. Jointly owned by Dart and Thrifty, Trak Auto West opened the first of numerous West Coast Trak Auto specialty stores last month.

Even without the extraordinary income gain, Dart's year-end earnings were up 118% over last year. Earnings in the fourth quarter soared 162% to $6.5 million, or $3.82 a share, compared to $2.5 million or $1.48 per share, in the comparable year-earlier period. Fourth quarter sales totaled $81.9 million compared to $78.7 million in the prior year.

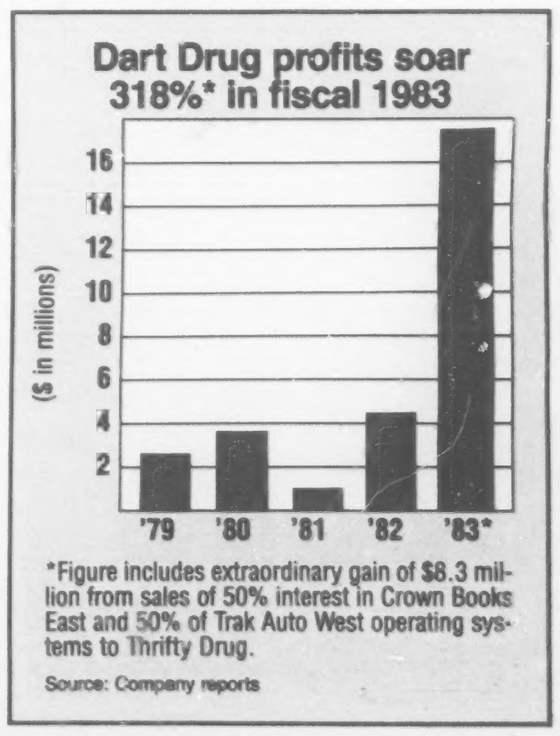
Trak Auto was Dart Drug's biggest newsmaker in fiscal 1983, and earlier this year, the company announced plans to spin off the Eastern segment of the fast-growing division into a separate public company.

DIVERSIFICATION. Dart's successful diversification into non-drug retailing continued unabated in fiscal 1983. The chain opened nine new Trak Auto stores, and along with Thrifty, 32 new Crown Book stores. Trak Auto stores opened prior to the recent West Coast joint venture with Thrifty are located primarily in the Metropolitan Washington, D.C. area. Crown Book stores are located in the Metropolitan Washington, D.C., Chicago, Houston, Los Angeles and San Francisco areas.

In addition, Dart opened its fifth Total Plus discount cosmetics, health and beauty aids and general merchandise store last year and remodeled six drug stores.

Earlier this year Dart announced plans to sell to the public 1.65 million shares of common stock in its Trak Auto subsidiary, which now consists of 47 stores. The Trak Auto stores accounted for nearly one-fourth of the company's total earnings in the most recent fiscal year. In documents filed with the Securities and Exchange Commission, Dart estimates the value of the proposed transaction to be $29 million, based on a $16-per-share price for Trak Auto stock. If approved, Dart will sell 29% of its 100% ownership in Trak Auto and retain 71%. Up to $10 million of the proceeds from the offering has been earmarked for new Trak Auto (East) stores.

In addition to the recent Trak Auto openings in California, Dart is also considering opening auto parts stores in Florida.



PROFILES

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Pay Less thrives despite joblessness

RESULTS. For the past two years the economies of Washington and Oregon have delivered a double whammy to retailers. Boeing, the single-largest employer in the Seattle area, suffered production cuts and layoffs. In Oregon, where the lumber industry is No. 1, the sound of falling timber has been near-silent, as the housing industry, shackled by high interest rates, put a "hold" on construction. The net result: The highest unemployment in the West.

Operating in the heart of depression country is Pay Less NW, whose 69 stores in Washington and Oregon comprise almost half of the chain's 146-store count.

Yet in fiscal 1981 and 1982, Pay Less was able to write a near "business as usual" scenario on profits. In fiscal 1981, although sales were flat (a 1% increase), profit increased 16.3%. And in fiscal 1982, earnings rose 16.4% ($19.4 million in 1982 vs. $16.7 in 1981), while sales increased 3.5% ($784.7 million in 1982 vs. $758.5 million in 1981).

How did Pay Less manage to pull a profit rabbit out of its operating hat while other retailers haven't even been able to find the hat?

ADVANCED TECHNOLOGY. A multifunction on-line bookkeeper terminal system has been installed which has reduced operating expenses and improved inventory turnover.

The new bookkeeping system—consisting of a terminal and printer—augments Pay Less' on-line pharmacy system.

Pay Less NW's product mix as a percentage of sales

Prescription drugs	7%
Over-the-counter and related items	8
Major appliances	1
Fabrics	2
Candy and tobacco	8
Small appliances	4
Household consumable	9
Beer, wines, liquor	2
Household durable	7
Infant items	3
Toys	5
School supplies, books and magazines	4
Sporting goods	5
Photofinishing and equipment	8
Automotive	3
Hardware and plumbing	4
Garden supplies, nursery	6
Records and tapes	3
Miscellaneous	11
TOTAL	100%

Source: Company reports

A major function of the bookkeeper terminal system is inventory control, including ordering from the warehouse; verifying in-stock status at the warehouse; recording sales by departments; facilitating stock transfers between stores, and monitoring the sale of staples. Other uses: keying in daily sales deposits, payroll data input; setting employee schedules, and updating accounts payable.

Another labor-saving, efficiency-improving device is a new computerized cash register being installed in all new and remodeled stores. The prime purpose of this on-line register, which is tied to a Series One IBM computer, is threefold: (1) to improve checker accountability, thus improving in-store security; (2) to speed checkout time, and (3) to replace time clocks because it is also an attendance terminal.

Because each register is a computer terminal and is therefore totally programmable, other functions can be added—such as front-end scanning and bank cards. A key factor is that the system is attached to the Series One IBM computer via an RS 422 multidrop interface. This permits the host computer to talk to individual store registers, making the system more versatile and less expensive than the RS 232 interface.

DISTRIBUTION. With the addition of a 200,000-sq.-ft. distribution building in 1984, Pay Less will increase its warehouse-to-total inventory tonnage beyond the present 45%.

The new building, used primarily for ad merchandise, will bring Pay Less' total distribution facilities to 700,000 sq. ft. of floor space plus 208,000 sq. ft. of mezzanine.

The existing structure, which became fully operational in 1980, now handles both staples and ad merchandise. Ninety-six per cent of the output of the facility is fully conveyorized. In addition, a system was designed that tracks every case from the time it is placed onto a picking belt until it is discharged into one of the 54 shipping lanes.

In another breakthrough, Pay Less—for the first time in its 40-year history—will warehouse legend drugs, beginning in the fall of 1983. About 8,000 sq. ft. is being set aside for pharmaceutical stock in the existing warehouse.

Why is Pay Less making this move? For better inventory control, better utilization of manufacturer products, and better utilization of generic selections. Summed up: to make pharmaceuticals a profit center.

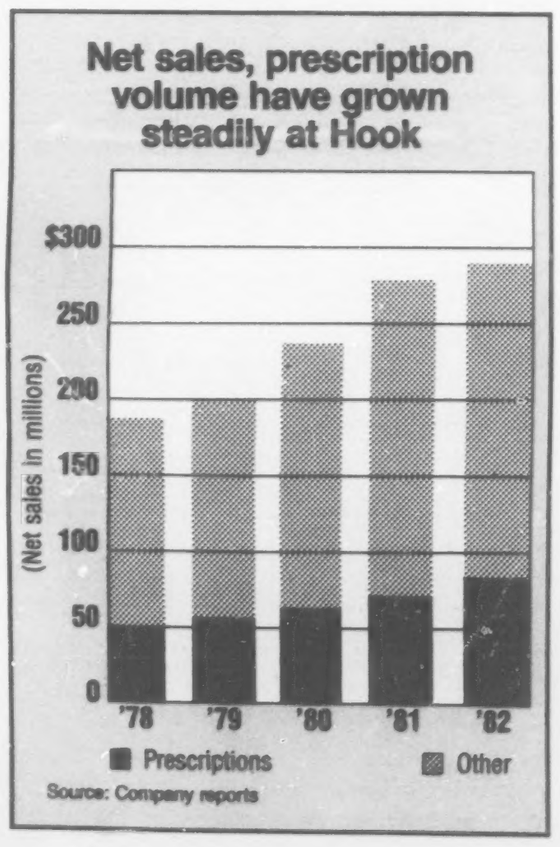
STORES. Early in the year, Pay Less downsized its stores 3,000 sq. ft.—from 28,000 to 25,000—in the face of increasing occupancy costs. To accommodate the new size, the length of the middle run of gondolas was reduced from 32 to 28 ft., and the rear from 32 to 24 ft. To maximize the cube, gondolas for hard lines (auto, hardware, sporting goods, etc.) were raised from 60-66 in. to 72 in.

Pay Less returns to Nevada with the opening of a 29,684-sq.-ft. store in Elko. In 1981, after acquiring the Pay Less Oakland chain, Pay Less NW sold its two Reno stores to Longs, thereby removing itself from the Nevada market.

However, Elko is in northern Nevada, near the Idaho border, and thus becomes part of the Idaho division. Pay Less has no plans for returning to the Reno market.

Hook makes earnings comeback

RESULTS. During 1982, Hook Drug enacted plans to combat the difficult Midwest economy and severe weather. After 1981 earnings dropped 20% and first quarter earnings 56.5%, the chain devised remedies including expansion of its convalescent aid centers, stronger promotional and advertising programs to build traffic and a tighter control on expenses.



The plan was successful. Hook produced a 12.6% increase in earnings on a 9.2% gain in net sales. Hook's 282 retail operations posted sales of $285.2 million in 1982 vs. $261.1 million the year before.

Shareholders' equity per share improved from $13.17 to $14.05.

OPERATIONS. Hook is among the chains that operate a bantam style of store, ignoring the trend to a heavy mix of general merchandise. The standard prototype remains in the 7,500 sq. ft. range. With its heavy concentration on the Rx business, the chain has managed to produce gross margins close to 34%.

Last year, Hook's "Pharmacists in Green" filled more than 9.1 million scripts. The retail value represented 32% of total sales, a 19.9% increase over the year before.

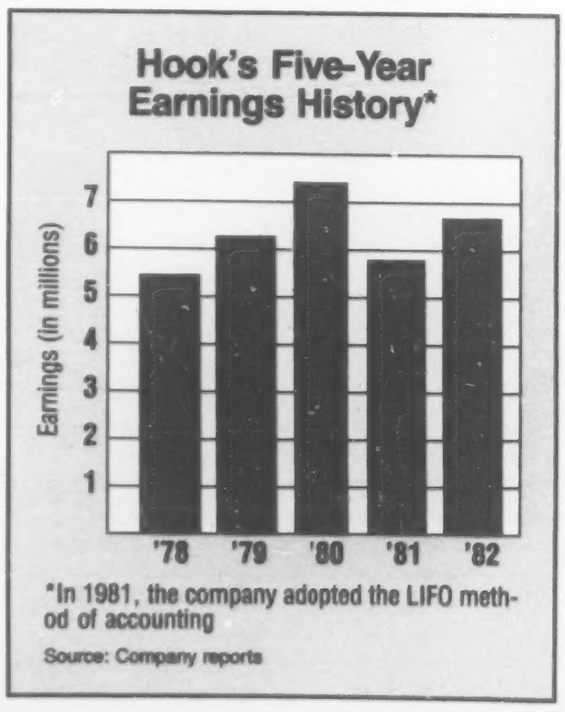
Hook also runs convalescent aid units featuring beds, wheelchairs, exercise equipment and other sickroom supplies. These units have a high success rate because they attract shoppers from a radius of 50 miles and produce gross margins of 40% and up. Three new centers were opened last year, bringing to eight the total number of convalescent aid centers.

The company's principal business remains its 272 Hook drug stores. During 1982, 16 units were opened. In 1983, the chain hopes to accelerate the pace of new openings.

However, the chain will not grow in the convenience food store area. Last year the company decided to close its food store operation, Quik Way. According to the company's annual report, after three years of operation the food stores did not meet expectations. Part of the reason was that the units were pitted against a strong local operator. The results of the sale were not material to the current financial position.

The company maintains its convalescent aid units as well as one hardware store and the H. Lieber Photographic sales and service store.

DISTRIBUTION. Hook's warehouse is one of the most efficient in the industry. Materials are transported via automatic cars operating on electronic impulses and the 834,000-sq.-ft. warehouse is fully conveyorized. Each weekly store order is delivered within an average of only 36 hours after the order has been placed. The warehouse is equipped to handle up to 400 stores without adding a substantial number of new employees.



1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Rite Aid's net income, stores grow

RESULTS. Rite Aid's explosive growth in 1982 enabled the chain to open its 1,000th drug store, boost net income 38% and acquire a 128-unit toy store chain.

The chain's net income for fiscal 1983, which ended Feb. 26, was $54.98 million, up from $39.85 million for fiscal 1982. However, the fiscal 1983 figure was swelled $5.093 million by Rite Aid's sale of five million shares in its British affiliate, Superdrug stores P.L.C.

The sale on the London Stock Exchange reduced Rite Aid's stake in the British chain from 42.5% to 28.2%.

Without the stock sale, Rite Aid's net income for fiscal 1983 would have been $49.86 million, up 25.2% over fiscal 1982.

Not counting the stock sale, Rite Aid's net-income-to-sales ratio for fiscal 1983 was 3.8%. Counting the sale, the ratio was 4.3%.

Earnings per share for fiscal 1983 were $2.61, up 38.1% from $1.89 in fiscal 1982. The stock sale contributed 24¢ per share in fiscal 1983.

In addition to the stock sale, Rite Aid benefited from income from the Circus World toy store chain, which was acquired on Sept. 1, and the addition of 102 stores during calendar 1982.

EXPANSION. The net gain of 102 drug stores brought the number of units to 1,060 by the end of calendar 1982. The gain exceeded Rite Aid's goal of increasing the number of drug stores by 10% each year.

While most of the new stores were opened individually or after small acquisitions, the chain made three larger acquisitions.

In the spring of 1982, Rite Aid bought the five-store Cochran chain in Columbus, Ohio. That purchase brought the number of Rite Aid units in that market to 18, tying Rite Aid with Gray Drug Fair as the chain with the most stores in that region.

Less than a month later, the chain bought the 27-store Mann drug chain in North Carolina. That acquisition boosted Rite Aid's store count in the state to 82, making the chain a healthy competitor against Revco and Eckerd, which had 160 and 130, respectively, in the state.

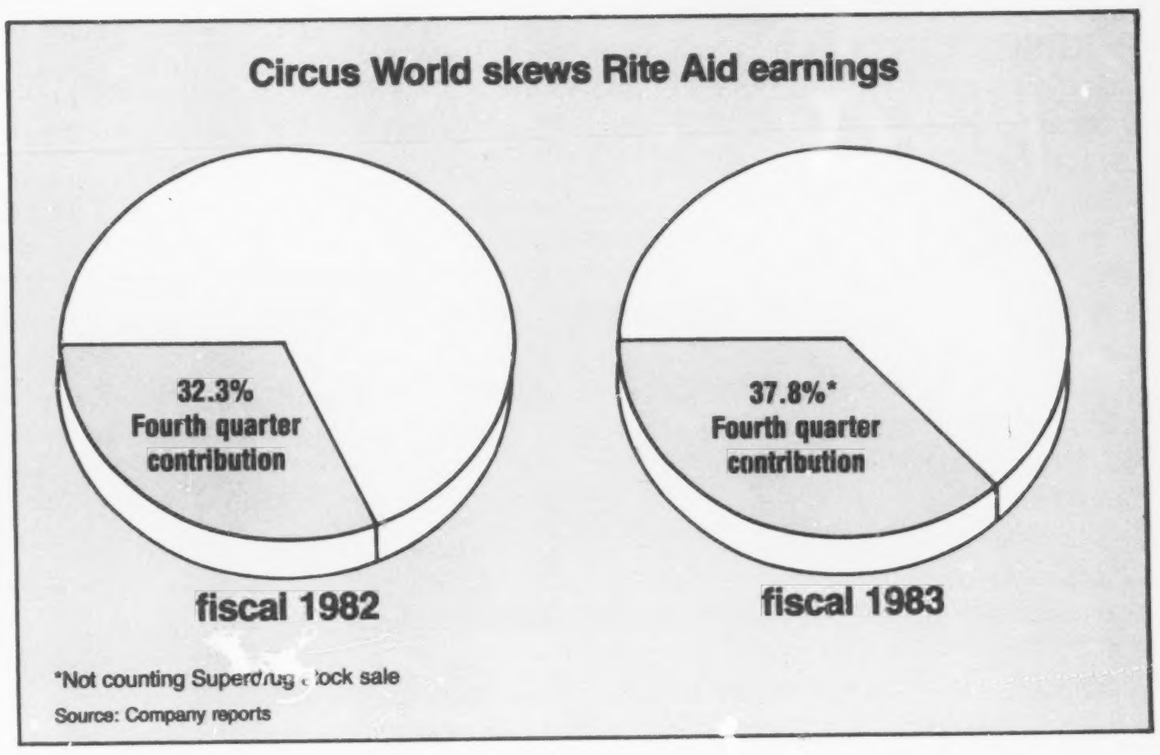
Rite Aid continued to grow in the area and opened its 1,000th store in June in Durham, N.C.

Rite Aid acquisitions continued in June with the 19-store Lomark Discount Drugs chain in Ohio. This purchase moved Rite Aid into a new direction in drug retailing.

Three of the Lomark stores were low-margin Drug Palace stores. The 15,000-sq.-ft. stores are twice as big as the Rite Aid prototype and are operated completely differently.

The Rite Aid logo was not put on the Drug Palace stores and the merchandise is bought direct on deal from manufacturers, rather than flowing through the Rite Aid warehouses.

The Drug Palace stores do not have all sizes of all merchandise because of the buying system, another departure from the traditional Rite Aid style.



The remaining 16 Lomark stores are in the 6,000- to 7,000-sq.-ft. range and fit in well with the 6,500-sq.-ft. Rite Aid prototype.

DIVERSIFICATION. Rite Aid on Sept. 1 bought the 128-store Circus World toy store chain, the fifth largest toy retailer in terms of sales in the United States. For the year ended Jan. 30, 1982, the toy chain posted $51.1 million in sales and an estimated $1 million in profits.

Rite Aid will not break out Circus World's contribution to the corporate sales and earnings. However, the toy chain has skewed Rite Aid's earnings more to the fourth quarter.

In fiscal 1982, fourth quarter earnings were 32.3% of the corporation's earnings for the year. In fiscal 1983, after subtracting the proceeds from the Superdrug stock sale, net income for the fourth quarter was 37.8% of the chain's earnings for the year.

Because of the cyclical nature of the toy business, Circus World posted a net loss in the third quarter.

PERFORMANCE. Rite Aid continued to promote its discount image and private label products, which account for more than 10% of the chain's sales.

The chain also continued to add pharmacy computer terminals and finished calendar 1982 with 36. Rite Aid extensively remodeled 75 stores in 1982.

Adams prospers in strong 4th qtr.

RESULTS. Adams Drugs ranked among the industry leaders in performance gains in fiscal 1983, reporting 18% and 32.5% increases in sales and earnings, respectively, over the prior year.

Net earnings for the year ended Dec. 31 were $4.5 million, or $1.12 per share, on sales of $286.2 million compared to earnings of $3.4 million, or 84¢ per share, on sales of $242.5 million in the prior year. The company said half of the 18% sales gain was attributable to former Mall and MD pharmacy and health and beauty aids stores acquired by Adams in 1981. Fiscal 1982 was the first full year in which Adams owned the Mall and MD stores.

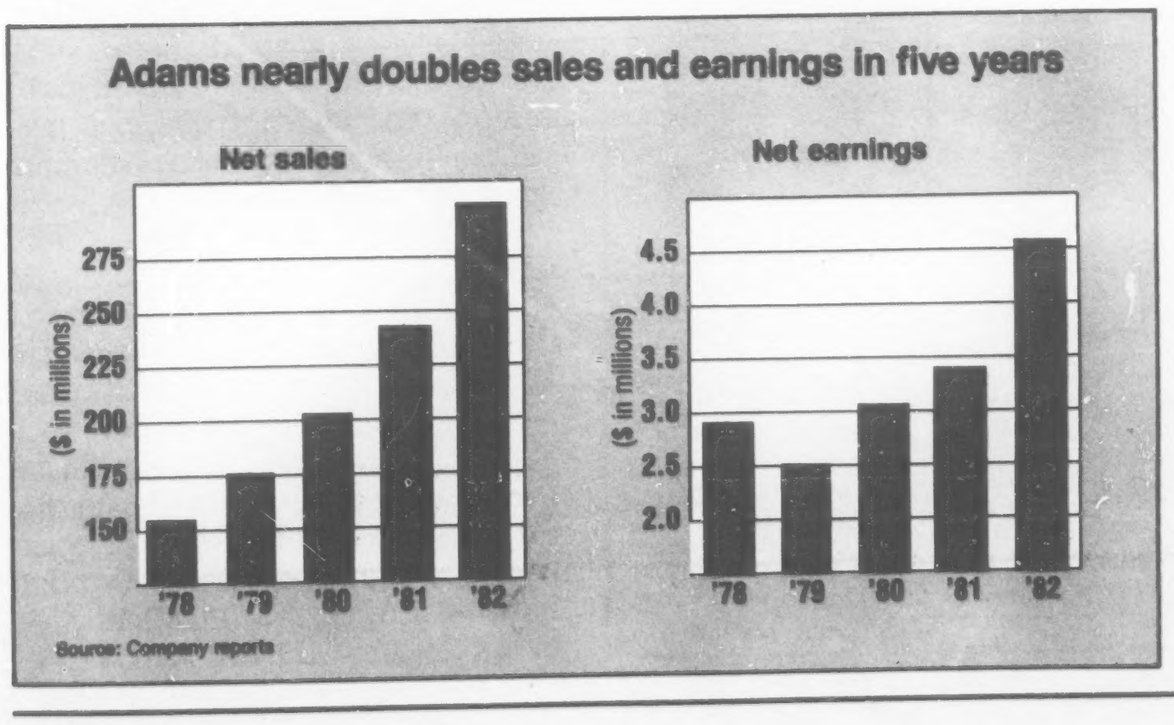
Fourth-quarter earnings of $2.7 million accounted for well over half of Adams' fiscal 1982 profits. Fourth quarter earnings in the prior year totaled $1.9 million or nearly two-thirds of that year's profits.

CONSOLIDATION. To facilitate its new emphasis on television advertising, Adams continued to consolidate various stores names during fiscal 1982, bringing another 85 stores under the Brooks logo. Launched in 1966 as a chain of small, discount-priced H&BA stores, Brooks has mushroomed to include 290 stores, making it the largest division in Adams' 446-store network. Numerous Brooks stores have been remodeled in recent years to include pharmacy departments, which Adams has targeted as the focal point of most of its stores. Stores converted to the Brooks logo during the past year were primarily former Mall and MD stores. However, numerous Whelan and Maxwell stores in New England, plus several Hall stores in upstate New York also received the Brooks' facelift. Besides the 290 Brook stores, Adams operates 56 Eckerd stores in western Pennsylvania, 41 Adams stores in Rhode Island and neighboring communities and 59 other stores under various names, including 14 Whelan and 10 Nescott stores in the New York City area.

MERCHANDISING. As part of its ongoing remodeling program, Adams has expanded and repositioned "core" drug store departments, including greeting cards, cosmetics, stationery and candy. Household supplies and housewares, which, a company spokesman said, failed to generate adequate turns, were scaled back to make room for these changes. The company also commissioned a new, more modern series of labels for many of its private-label products during the last fiscal year. The labels were designed to enhance the visibility of these high gross margin items, especially when they are positioned next to their national brand counterparts.

Franchised national brand cosmetics are getting new emphasis in the chain's expanded cosmetics departments, while selections of various private-label or off-brand cosmetics are being scaled back.

In a 50-store "test," Adams has also installed 4-ft. natural H&BA sections to determine whether chainwide installation is justified. Pharmacy computers are also being tested in five Adams stores.



PROFILES

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

Perry buckles up after soft yr.

RESULTS. It was a tough year for Perry, even though the company managed to end its 25th year with record sales of $244.3 million, up 27% from $192 million.

But higher advertising costs to generate traffic and higher interest expense combined to deny the chain a record year of earnings. LIFO-adjusted earnings declined 15% to $2.9 million, or $1.10 per share, from $3.4 million, or $1.31 per share, a year earlier.

Perry's current ratio (of assets to liabilities, used to judge ability to pay debts) increased to 1.9 to 1, from 1.6 to 1 in 1981.

Shareholders' equity rose 10% to 25.6 million and Perry's return-on-investment came in at 11.3% in 1982.

Selling space rose 10% to 1,181,000 sq. ft., and the average sales per square foot was $220—higher than the industry average. The average Perry store produced $2.1 million.

During its Silver Anniversary year, Perry filled its 25th million prescription. Rx sales were up 38% to $41.9 million, and prescriptions now account for 17% of total sales.

On the heels of a soft year, Perry enacted a Profit Improvement Program. This belt tightening helped produce record first-quarter results. Earnings rose 24% to $2.1 million, equal to 78¢ per share, from $1.7 million, equal to 65¢ per share, a year earlier. Sales jumped 17% to $74.5 million vs. $63.7 million. Seasoned stores, those with at least one-year volume comparison, showed healthy sales growth of 10.2% over a year ago.

Chairman Jack A. Robinson is calling for Perry to reach a sales volume exceeding $600 million with more than 230 units by 1987 and to hit $1 billion in volume with 350 units by the end of the decade.

Perry, as of April 1983, is listed on the New York Stock Exchange, a move that helps shares to trade better.

EXPANSION. Perry recently announced it will diversify in 1983 with the opening of a chain of freestanding auto parts units called Auto Works. Three of these stores are open and up to 25 may be launched within the next two years.

The beauty of this concept is that it allows Perry to open a retail unit even in a center where a competing chain already operates. Auto accounted for 12.4% of Perry's annual sales last year.

Eleven new stores were opened last year, six were purchased from Gould Drug and eight conventional units were converted to the drug/auto concept. Three leased units were closed during the fiscal year and the remaining 10 were shuttered early in 1983. Perry, at year-end, operated 125 stores, 67 of which were combination units. Two dental centers were in operation within stores.

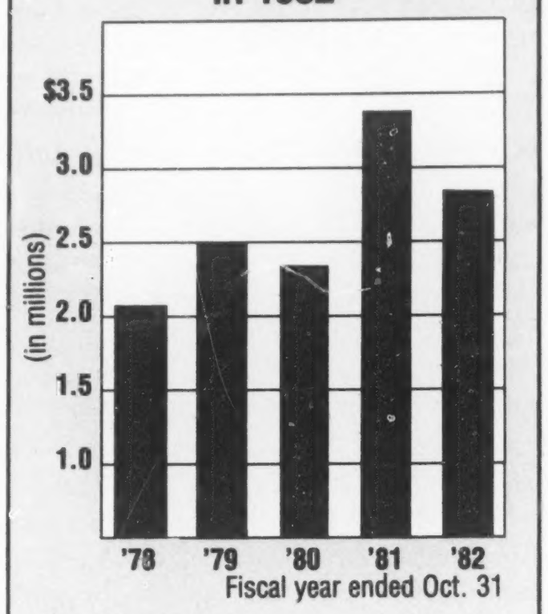
Also for 1983, 12 to 15 stores will be opened and 14 will be remodeled. Capital spending for this will total $2.6 million.

DEVELOPMENTS. After a three-year search for a pharmacy computer system, Perry is set to go with 10 systems in stores this year. This pilot system will have automated pricing, price updating, tax and insurance reporting, recording of patient profiles and label and receipt printing. Third-party payments are a critical need for Perry because about 60% of total script volume involves this form of payment.

Perry also has a strong network of management information services and distribution capabilities. Supported by an IBM 4341 computer, Perry has automated control of product movement in and out of the distribution center, electronic store-to-warehouse ordering, seasonal merchandise tracking, automated financial reporting and automated third-party billing systems.

Thanks to mechanized systems in the 225,000-sq.-ft. distribution center, Perry can service stores within 48 hours of an order.

Perry's earnings dipped in 1982



Source: Company reports

Gray pulls off sharp turnaround

RESULTS. Regrouping. Refinement. And recovery. Those three words probably best describe Gray Drug Fair's performance in fiscal 1982 as the Cleveland-based chain bounced back from one of its most challenging years ever—1981.

Under new ownership (Sherwin Williams Co.) and new management (Al Towle and Company), Gray and its recently acquired sister company, Drug Fair of Alexandria, Va., reported operating income for the year ended Dec. 31 of $13.9 million on sales of $540.6 million, compared to a pro forma loss on sales of $508 million in the prior year. Under Sherwin Williams' ownership, Gray Drug Fair's operating income in the fourth quarter of fiscal 1981 (October, November and December) was $6.9 million on sales of $137.9 million. Gray Drug Fair accounted for 29.2% of Sherwin Williams' fiscal 1982 sales of $1.85 billion and 13% of its $106.4 million operating income for the year.

On a pro forma basis, the sales increase equaled 6.4%, while earnings moved from the red in the prior year back into the black.

MANAGEMENT. A new senior management team installed by Towle shortly after Sherwin Williams' takeover of Gray Drug Fair is continuing to make progress toward improved growth and profitability. The establishment of cohesive management systems, tailored to the specific marketing and operations needs of the chain's three regions—Northern, Atlantic and Southern—has been a major priority under Towle's leadership. Late last year, Gray Drug Fair announced the appointment of new vice presidents for each of the three regions, reaffirming its commitment to a regional-based operations network.

Addressing New York security analysts earlier this year, Sherwin Williams chairman, president and ceo John G. Breen said both Gray and Drug Fair were "undermanaged" companies prior to their acquisition by the paint, chemicals and coatings manufacturer and retailer. However, morale is on the upswing, he said, as Gray Drug Fair's new management team "gets a handle on" prior problems, including inventory control and shrinkage.

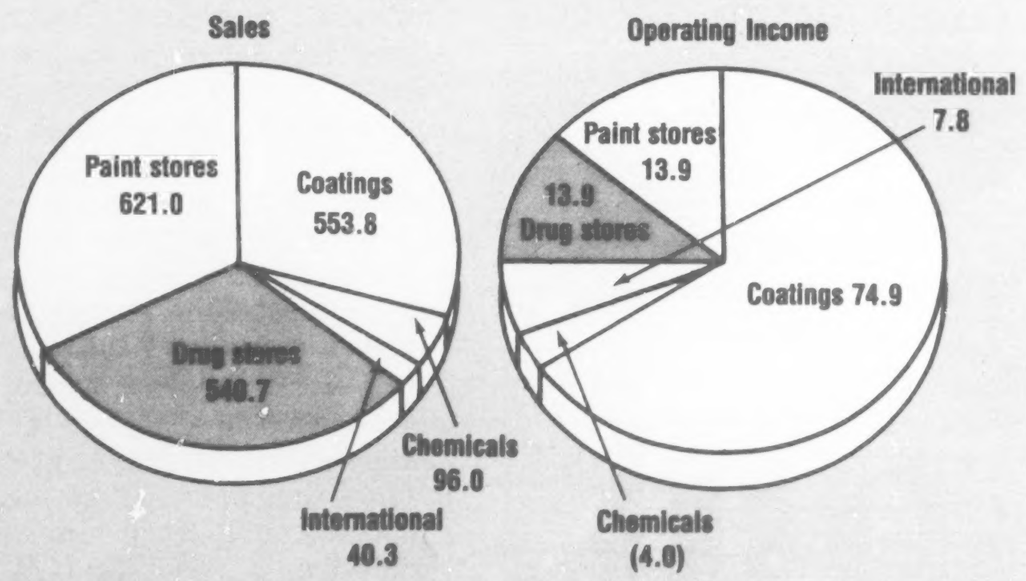
MERCHANDISING. A new merchandise format emphasizing core drug store categories like prescriptions, cosmetics and health and beauty aids, as well as a revised advertising campaign aimed at boosting the public's image of Gray Drug Fair stores, are expected to further improve sales and profits in the current fiscal year. Late in 1982, Gray closed the Fashion Fair apparel departments in more than 100 Drug Fair stores, and since the beginning of this year, has closed three of eight soda fountains still operating in Drug Fair stores. Square footage occupied by the apparel departments will be remerchandised with faster-turning, more profitable categories, or will be sublet to other retailers, the company said. Former fountain departments will be remerchandised primarily with expanded health and beauty aid selections.

Upgraded accounting and management information systems aimed at improving inventory control at Gray Drug Fair's three regional distribution centers have been targeted as key goals in fiscal 1983. Streamlined distribution procedures and an improved loss prevention program will also be emphasized this year.

GROWTH. During fiscal 1982, Gray acquired 42 existing stores, including 25 Cunningham stores in Ohio and seven Drug Way stores in Virginia.

In addition, two new stores were opened, 11 were sold, 13 were closed and 60 were remodeled. During fiscal 1983, the 381-store chain is expected to add 21 new stores, through internal growth or acquisition, close two, relocate eight and remodel 60.

Gray Drug Fair stores, contributed 14% to Sherwin Williams operating income in fiscal 1982.



Source: Company reports

PROFILES

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

SupeRx remodeling raises profits

RESULTS. A three-year, multi-million-dollar store revitalization program is beginning to pay off for SupeRx Drug Stores, which reported a 133% increase in pretax operating profits for the fiscal year ended Jan. 1.

The Kroger Co. subsidiary, which at year-end operated 520 stores in 20 states, reported pretax profits of $15.2 million on sales of $716.4 million, up 5% over fiscal 1981 sales of $682.6 million. Operating profits on fiscal 1981, including $4.3 million from the sale of 21 Houston area stores to Walgreens, totaled $6.5 million.

"The continued revitalization of SupeRx drug store facilities and refinement of its operations and merchandising strategies are producing improved results," Kroger officials said in announcing year-end results. "Such key performance indicators as return on assets, inventory turnover and sales per unit all improved at SupeRx during 1982."

Under the direction of president and ceo Gerry Wolken, SupeRx has accelerated its store remodeling program, pumping nearly $21 million into store and facilities improvements last year. Just four years ago, the chain's annual capital outlay was $10.9 million.

SupeRx also moved closer to achieving another major goal in 1982: completion of a chainwide central distribution system. By the end of the year, SupeRx was putting the finishing touches on a new 381,000-sq.-ft. distribution center in Bluffton, Ind., the fourth such regional facility to service the chain's growing network of stores. The eight-acre building will supply drug, health and beauty aids and general merchandise products to nearly 200 SupeRx stores in the Midwest and Northeast, linking all but a handful of Phoenix-area stores into a central distribution system serviced by Peyton Inc., Kroger's Louisville-based nonfoods distribution subsidiary. The Bluffton facility will also supply similar merchandise to nearly 400 Kroger food stores in several North Central states.

MERCHANDISING. The basic components of SupeRx's refined marketing philosophy—quality, value and convenience—have helped the chain to capitalize on the public's growing awareness of the importance of personal health care, the company stated in its annual report.

To achieve this goal, SupeRx is using a 10,000-sq.-ft. prototype featuring cosmetics, H&BA, health foods, optical centers, greeting cards, reading centers and photo finishing, and, of course, the professional pharmacy counter. Private label products, many of which are produced by Kroger-owned manufacturing plants, are also becoming more and more common in SupeRx stores.

SuperRx's major markets: East Central and Southern states, Arizona and Florida

SuperRx Drug Stores

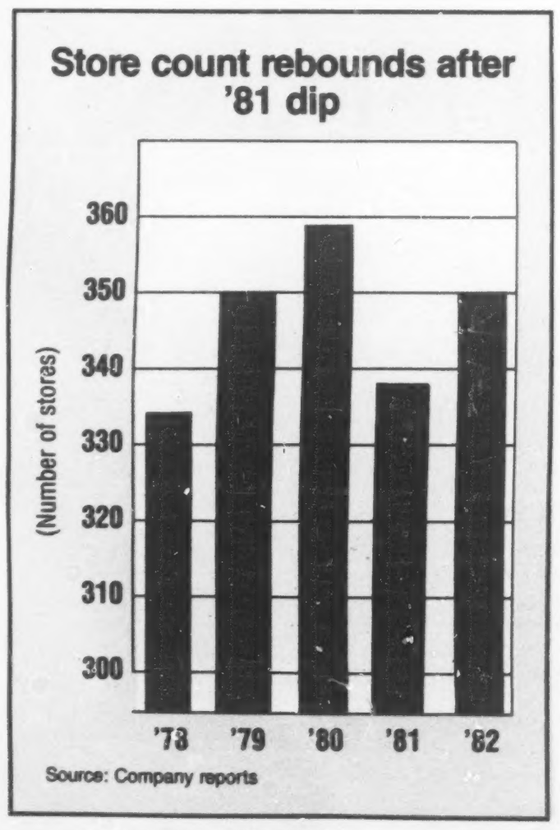
EXPANSION. Both expansion and remodeling continued at an accelerated pace during fiscal 1982. The chain opened or acquired 77 stores and remodeled 25 others in fiscal 1982, compared to 57 additions and 15 remodels in the prior year. The chain's 563 stores at year-end contained a total of 6.3 million sq. ft. of space. Chainwide sales per square foot average $114. Twenty-nine of the 77 stores added last year were from acquisitions of existing chains or portions of chains in Illinois, Ohio and Florida.

By the end of the year, SupeRx was operating six SuperX Food and Drug stores in Florida, and several more such combination stores were planned. Plans to open 64 additional stores during fiscal 1983 will put SupeRx's store count at roughly 600.

Margin gains hike Thrift earnings

RESULTS. Improved gross margins contributed to a substantial increase in 1982 operating profits for Pittsburgh-based Thrift Drug, a subsidiary of the J. C. Penney Company. Sales volume for the drug stores, which operate under the Thrift and Treasury Drug Center names, increased to $583 million last year from $507 million in 1981. Sales include revenue from the J. C. Catalog centers in the drug stores.

Store count rebounds after '81 dip



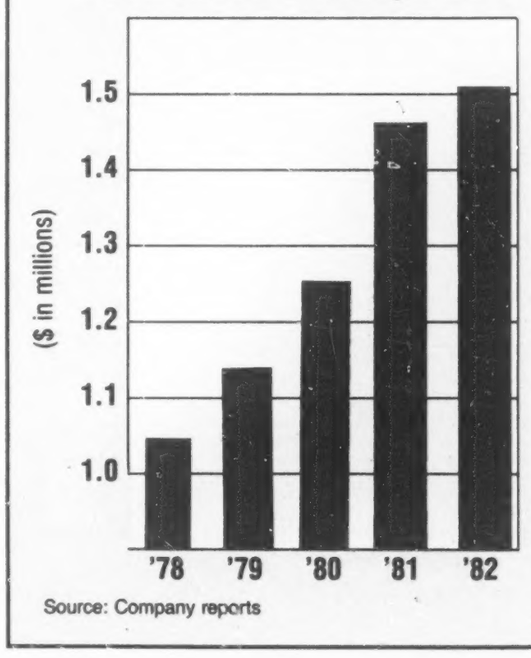
Source: Company reports

Drug store sales alone, without catalog center volume, increased to $485 million from $456 million the previous year. For all units, this was a 6.2% gain. On a comparative store basis (those open a year or more) the figure represented an 8.4% advance.

STORES. The number of drug stores increased by 10 last year to 354, 351 of which had pharmacy departments and 112 had catalog centers. During the year, 37 stores were opened or acquired and 27 were closed or sold off. The year saw an unusual move involving Eckerd Drug. Thrift sold 20 units in the Nashville/Knoxville markets to Eckerd, which concurrently sold 20 of its units in the Philadelphia/Camden area to Thrift. For both chains, the dual sales were part of an ongoing effort to increase penetration of existing markets and to abandon areas in which they do not have strength. The move did three things for the chains: reduced per store advertising costs, decreased distances from warehouses to stores and allowed both chains to tighten operations in existing markets. Average store size declined last year to 8,200 sq. ft. of selling space from 8,500 sq.

SERVICE. Having completed virtual chainwide installation of its pharmacy computer system, Thrift continued to improve and update customer service. This service-oriented system, recently renamed "Rxtra," aids pharmacists by allowing them to fill scripts faster and more efficiently, and also provides customers with itemized records of prescription purchases for income tax records. The system also speeds reimbursement of third-party insurance claims.

Store sales steadily rise



Source: Company reports

As fiscal year 1982 closed, Thrift launched it Rxtra ad campaign to promote the chain's service theme. The Rxtra program is the new name for PHS (personalized health service). This computer system assists recordkeeping and provides drug compatability checks among other services. The campaign also includes senior citizen and little shaver discount programs, prescription warning labels, a guide to prescription prices, and double refills when script prices increase.

ON THE HORIZON. Plans for testing two different point-of-sale systems are in the works for 1983. After carefully observing supermarket technology equipment purchases this year, Thrift management believes POS, energy, security, and pharmacy computer are crucial to the future of drug chains. Thrift will be using IBM and a second supplier in its in-store POS tests in 1983.

UPGRADING. Early in 1982, Thrift expanded its newest warehouse from 140,000 to 280,000 sq. ft. while installing upgraded material handling, storage, and inventory control equipment.

Cosmetic departments throughout the chain continue to be improved upscaling fixtures and lighting, thereby increasing both esthetic appeal and profitability of the area.

1983 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Eckerd net margin slips to 3.4%

RESULTS. For most drug chains, announcing results like those produced by Eckerd in fiscal 1982 would have been a cause for celebration. After all, the corporation went over the $2 billion mark in sales, had net income of $70.7 million and posted a very respectable net profit margin of 3.4%. But for the Jack Eckerd Corp., the results (except the $2 billion in sales) were a disappointment.

For one thing, net earnings were down 10% from the previous year's $78.5 million, and earnings per share declined 29¢ to $1.90. For another, Jack Eckerd's net profit margin, which had been substantially above 4% every year for the past decade, slipped more than a full percentage point.

What happened? Basically, four factors contributed to the disappointing results: an operating loss in Eckerd's American Home Video subsidiary, high interest costs, the depressed economy and a smaller than anticipated profit contribution from Eckerd Drug—the largest and most profitable subsidiary.

While Eckerd Drug's earnings set a record, they did not come up to expectations. The reasons were increased pressures on gross margins caused by excessive inventories after Christmas, expansion of sales and promotion activities, and greater pilferage.

Nevertheless, Eckerd Drug remained the country's No. 1 dispenser of prescriptions. The chain's prescription departments chalked up $442 million in sales, setting an industry record for the third year in a row.

Several changes were made to shore up the drug company's performance. Six divisional buying offices were consolidated into three regional offices in an effort to improve communications between buyers and suppliers and to increase inventory controls. Store layouts were revised and checkout counters rearranged in order to control traffic flow and tighten security.

Eckerd Drug diversified into the growing home health care market last year with its Eckerd Med-Care centers.

For the first six months of fiscal 1983, corporate sales were $1.16 billion, an increase of 9.7%, but net profits were down 4.9% to $40.7 million. For Eckerd Drug, six month sales were $574.3 million vs. $528 million last year. Operating profit was up 5.5% to $53.5 million. Comparable store sales, for units in operation at least a year, increased 5.7%.

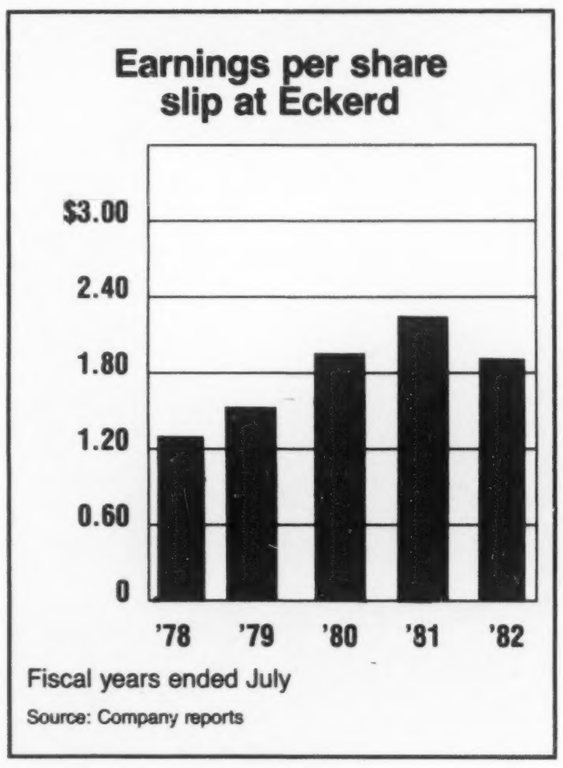
Overall, the company was encouraged by second quarter results because they were up despite sluggish Christmas seasonal sales.

EXPANSION. Eckerd Drug wound up the fiscal year with 1,238 stores, a gain of 103 units during the year. By the end of the first six months of 1983, the drug chain had increased its store count by 48 to 1,286. The company promised to continue to look for new locations, despite the fact that shopping center construction remains slow, and to search for acquisitions to continue the drug company's growth.

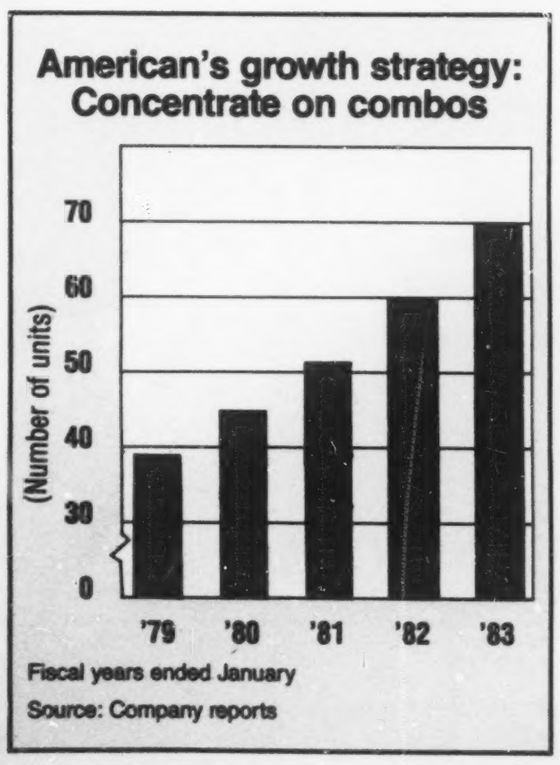
DIVERSIFICATION. Following the lead of other drug chains, Eckerd launched a new freestanding home health care center in St. Petersburg, Fla., an area with a major concentration of the heaviest users of home health care supplies and services—the elderly. The 5,600-sq.-ft. store, called Eckerd Med-Care, was the first of three to open near Eckerd's Clearwater headquarters. The stores, which do not have pharmacies, carry full lines of durable medical equipment, home health and sports medicine equipment and supplies and testing equipment. They also have personnel trained in ostomy and surgical fittings. Because of the importance of referrals in the business, company execs said they expected the store administrators to spend at least 50% of their time detailing local doctors, hospitals and senior citizen agencies. Chain execs also said the results of the experiment would be studied closely before making a decision on expansion.

TECHNOLOGY. Eckerd made healthy strides in the technology area last year. For one thing, the chain developed a sophisticated point-of-sale system in Florida designed to track individual sku movement in all of the Sunshine State's 350 stores through the use of a projectable sample of just 20 stores. Each store in the 20-store panel has been equipped with an alectronic cash register that can capture item-by-item movement through the use of a six-digit product identification code. The system will enable the chain to control inventory more precisely, update pricing accurately and quickly, and evaluate on a daily basis the impact of advertising and promotions.

The chain also introduced two new order entry systems, one involving a hand-held device with a wand scanner and the other a test of a three-way electronic purchase order designed to cut vendor delivery time, reduce store inventories and increase turnover. Under the second system, Eckerd transmits purchase orders at high speed from its in-house computer to an intermediary, General Electric's Information Services in Washington. There the order is translated by G.E.'s computer into the vendor's unique order format and is fed directly into that vendor's order-entry system.



American reports profits up 40%



RESULTS. A major effort to close unprofitable stores—most of them Acme supermarkets in the East—and to hold the line on expenses led to a 40% increase in net profits for American Stores Company, which operates Skaggs drug stores and Rea and Derick drug stores as well as combination food/drug stores under the Skaggs/Alpha Beta and Alpha Beta logos. The earnings results where helped by a lower LIFO charge as inflation slowed.

The outstanding results followed hard on a previously successful fiscal year in which net earnings rose 25.2%. Profits for the fiscal year ended Jan. 29 came on sales of $7.5 billion, a 5.8% increase over the $7.1 billion reported for the previous year.

American stores also improved its net-to-sales ratio substantially in fiscal 1983, as profits increased more rapidly on a percentage basis than sales. Net profit margins for the chain of supermarkets, drug stores and combos increased to 1.2%, above the average for the supermarket industry, but substantially below that of the average drug chain company. In fiscal 1981, American's net profit margin was 0.9% and in the previous year it was 0.8%.

Earnings per share for the fiscal year increased 48.9% to $8.07 from $5.42 and 96.4% above the $4.11 per share for fiscal 1981.

EXPANSION. At the end of the year, American Stores was operating 1,027 retail food, drug and combination stores in 28 states, down from 1,122 outlets at the end of the previous year. Expansion was negligible except in the combination store area, which continues to be emphasized. During the year, American opened 10 combos to reach a total of 70. These stores range in size from 46,000 sq. ft. to 70,000 sq. ft. and feature a super drug store and a complete supermarket behind a bank of checkout counters. The marketing concept is keyed to one-stop shopping.

During the year, American also opened one drug store and two food stores and closed 57 food stores, the bulk of them Acme·

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CHAIN STORE AGE
MERCHANDISER
Chains expand greeting card depts.—p. 2

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DRUG STORE NEWS

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CVS to shop West Coast for new units

NEW YORK—CVS "definitely" will seek to acquire West Coast drug stores to support the 16 units the Rhode Island-based chain already is operating in California, according to the president of CVS' parent company.

Francis C. Rooney, chairman and ceo of the Melville Corp., which owns CVS, made public the strategy at a recent meeting of the New York Society of Security Analysts.

Alluding to the possibility of expanding into other regions of the country in addition to the West Coast, Rooney said, "Obviously we're going to have to build on a regional kind of business out there and someday you could visualize another regional thing, possibly in the Middle West.

Drug units require nearby warehousing

"I don't think you can take CVS as we know it and just spread it as you can many of our other [Melville] divisions. It's not as easy as that because we need to be relatively close to the warehousing operation," Rooney said.

During the meeting Melville president, Kenneth K. Berland unveiled some of CVS's store expansion plans for the remainder of the year. Berland said the chain will open 50 new stores in 1983 and close 10, which would bring the chain's total to 506 stores. In 1982, CVS opened 45 stores, closed 12 for a total of 466 stores by year-end.

Berland said the chain would continue to expand at current rate over the next five years. He

Continued on page 44

24 kt gala marks NACDS' 50th yr.

Food- and music-filled tents dotted the fields of the Gunston Hall Plantation during an old-fashioned festival.

New NACDS chairman Henry Panasci Jr., and wife Fay, greet their upstate New York Congressional representative George C. Wortley and wife Barbara, and 50th Anniversary committee chairman Sheldon "Bud" Fantle and wife Gerry.

WASHINGTON—Praise is still being heaped on the National Association of Chain Drug Stores, Bob Bolger and his staff and a corps of volunteer workers for their efforts in organizing the association's 50th anniversary celebration—a gala, four-day extravaganza highlighted by visits to the Kennedy Center, the National Art Gallery, and a restored Southern plantation, as well as informative political addresses and social commentaries by a variety of top-flight speakers.

More than 2,000 members, associates and friends gathered at Washington, D.C.'s Hilton Hotel May 8-11 to fete the association on its 50th birthday. Shuttled to the Kennedy Center, attendees were entertained by Rudolf Nureyev in a special performance of Don Quixote. At the National Art Gallery, they enjoyed refreshments and music courtesy of Johnson Wax, before touring a special heldover exhibit of Raphael paintings. And in true Southern style, celebrants danced, ate and frolicked their way through an old-fashioned plantation festival, hosted by NACDS at Gunston Hall, a restored plantation home.

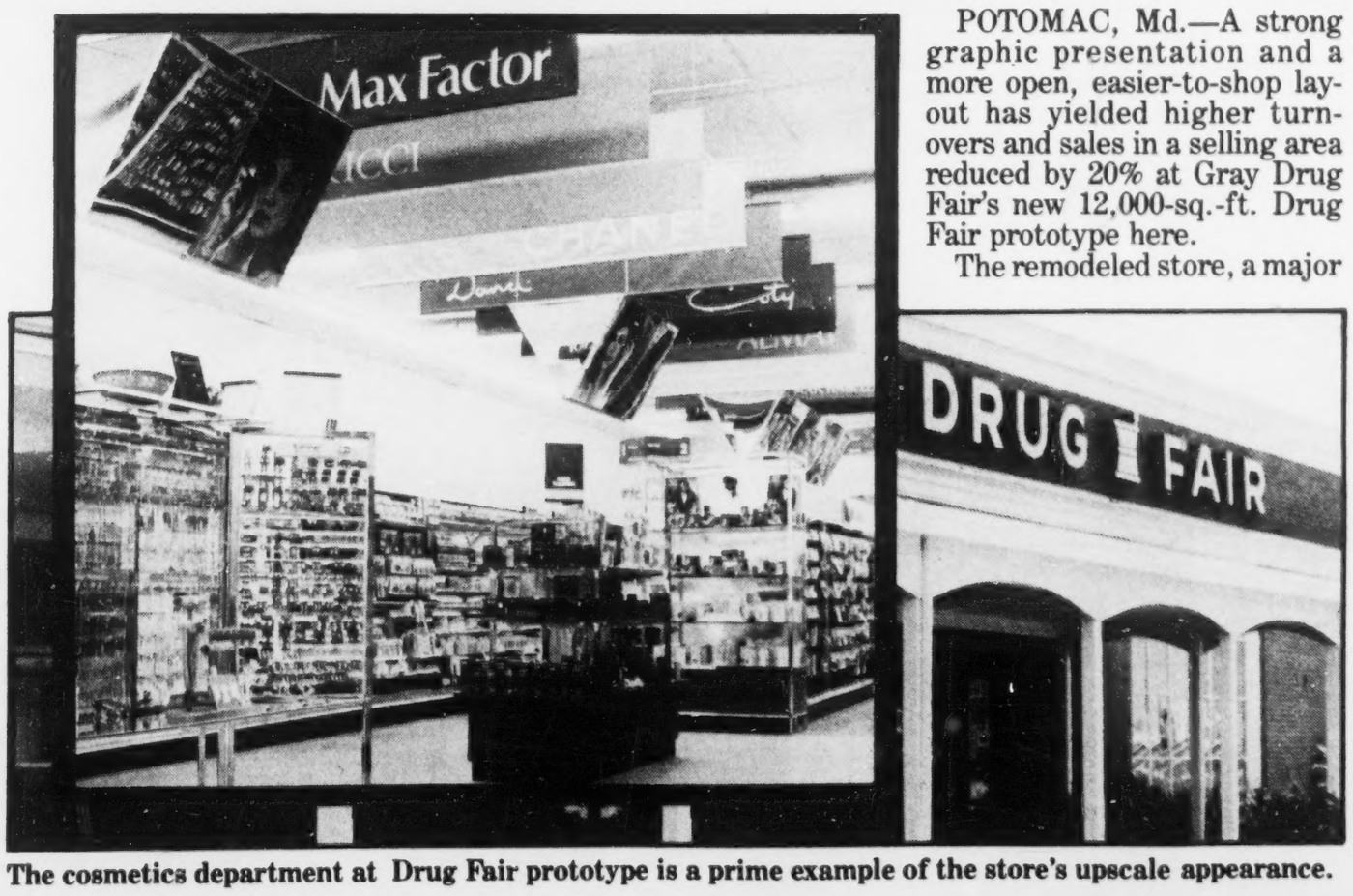
On a more serious note, attendees gathered each morning to hear addresses by a variety of keynote speakers, including First Lady Nancy Reagan, Henry Kissinger, presidential advisor, Edwin Meese III, political columnist William Safire, and broadcasters Barbara Walters, Tom Brokaw and Howard K. Smith.

Leonard Genovese, left, and Bob Long, center, chat.

Roger Friedman, president of Lebhar-Friedman, parent company of *Drug Store News*, accepts special award from NACDS chairman Sidney Dworkin in recognition of Lebhar-Friedman's role in the founding of NACDS.

Exiting NACDS chairman Sidney Dworkin turns over the podium to incoming chairman Henry Panasci Jr., on the final day of the annual meeting.

Gray's new Drug Fair prototype cuts space, ups turns



The cosmetics department at Drug Fair prototype is a prime example of the store's upscale appearance.

POTOMAC, Md.—A strong graphic presentation and a more open, easier-to-shop layout has yielded higher turnovers and sales in a selling area reduced by 20% at Gray Drug Fair's new 12,000-sq.-ft. Drug Fair prototype here.

The remodeled store, a major attraction on a tour for executives in town for the NACDS 50th Anniversary celebration, has a merchandise mix aimed at attracting the upscale shoppers who live in this affluent suburb a half hour to the northwest of the nation's capital.

The cosmetics department, for example, features such fragrance lines as Madame Rochas, Oscar de La Renta, Estee Lauder, Givency, Halston and Tatiana.

The remodeling and upgrading of the Potomac store is part of an ongoing effort by Cleveland-based Gray Drug Fair to increase Drug Fair's market share in the Atlantic region by making the stores uncluttered and "easier to shop," in the words of president and general manager Alvin Towle. Last year, Drug Fair's market share inched up a percentage point to 24%, compared to People's 26% and Dart's 22%.

Continued on page 44

LATE NEWS

AKRON, Ohio—Rite Aid continued its westward march through Ohio with the acquisition of the six-store Family Drug Stores chain.

Last year, Rite Aid acquired three Ohio chains: the 16-store Lomark chain in Hamilton, the five-store Cochran store in Columbus and the three-store Kenwood chain in Toledo. In addition to the 16 traditional Lomark drug stores, three deep discount Drug Palace stores were acquired in that purchase.

By acquiring Family Drug Stores, Rite Aid has boosted its Akron area store count to eight. The acquisition was in keeping with Rite Aid's practice of acquiring chains with stores approximating the size of its 6,500 -sq. ft. prototype.

The stores will be remerchandised and laid out according to Rite Aid's planograms.

— News in brief —

Walgreens April sales up 13.6%

DEERFIELD, Ill.—Walgreens' April sales were $191.7 million, a 13.6% increase from $168.7 million for the same month in April.

Sales for calendar year 1983 to date were $747.6 million, up 16.9% for 1982.

The chain was operating 998 stores on April 30, up from 927 a year ago.

Gray buys Medco stores

HOLLYWOOD, Fla.—Gray Drug Fair has acquired for an undisclosed amount nine former Medco Drug Stores in Broward, Dade and Palm Beach counties of Southeastern Florida.

The nine-store acquisition boosts Gray's store count in Gray's Southern region to 54 units, and along with two recent acquisitions (12 stores) in its mid-Atlantic region, pushes its total store count to 402 units. The Medco stores range from 4,000 to 8,600 sq. ft., and last year reported estimated sales of $8.5 million.

Malone & Hyde sets dividend

MEMPHIS—Malone & Hyde will pay a regular quarterly cash dividend of 19¢ per share payable July 15 to shareholders of record on June 22.

In another matter, the board of directors elected Bob Harris as vp of the wholesale food division. Harris had been with Wetterau Inc., for 18 years and most recently served as president of the food distribution group.

Ten Trak Autos open in Calif.

LOS ANGELES—Trak Auto West, the Thrifty Drug-Dart Drug partnership, has opened its first 10 stores in California. A total of 40 will be onstream by the end of this year, according to Thrifty.

All but one of the first 10 stores are located adjacent to a Thrifty Drug store. The advantage of next-door location is that the space for Trak can often be carved out of an existing Thrifty within the leased footage.

The first units are in Los Angeles, La Mirada, Duarte, Paramount, Northridge, Montebello and Pico Rivera. All are in southern California.

Trak is a 6,000-sq.-ft. discount auto supply store whose promotional banner reads: "every auto part, every day, just above wholesale. Save 35% to 51%."

Except for limited space for hard parts stock, the entire footage of the store is selling area. Store hours are 9 a.m. to 9 p.m., Monday through Friday; 8 a.m. to 9 p.m. on Saturday, and 10 a.m. to 6 p.m. on Sunday.

To service the stores, Trak Auto has leased a 143,000-sq.-ft. warehouse in the City of Commerce, a few miles from Los Angeles City center.

Trak is Thrifty's second venture with Dart Drug. The first was Crown Books. Currently, Thrifty operates more than 100 Crown Book stores.

Dart, based in Landover, Md., operates Crown Book stores and Trak Auto units in the Washington, D.C. area.

Nostalgia Quiz #25 winner chosen

Joe Tarantino of K mart in Naperville, Ill., is the winner of $100 in *Drug Store News*' Nostalgia Quiz #25, the last in a year-long series of quizzes marking the 25th Anniversary Celebration of NACDS. The grand prize winner will be announced in the next issue, June 13.

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Vol. 5, No. 12 May 30, 1983

Dart reveals spin-off plan for Crown Books division

LANDOVER, Md.—Dart Drug's president Robert M. Haft said the chain has begun preliminary negotiations to spin off its Crown Books division.

Ownership in the 120-store book chain is evenly divided between Dart and the Los Angeles-based Thrifty Drug.

Although no prospectus has been printed, analysts said Dart appears to be attempting to increase the value of its stock in the same way it did earlier this year by spinning off 19% of its ownership in Trak.

After the Trak prospectus became public in April, the price of Dart's stock increased from the mid-30's to more than 100 by mid-May.

Trak went public at $20 per share and was trading at $40 by mid-May. That increase also boosted the value of Dart, which retained 71% ownership in Trak, a chain of auto parts stores.

"Spinning off Crown is logical after Trak," said Daniel Barry, vp and sr. research analyst with Kidder Peabody & Co. "The value of Dart stock was enhanced when they spun off Trak. People weren't putting proper value on the company until them."

Analysts speculated Crown may have reached the point where the stores, independent of Dart, are mature enough to generate increases in net earnings.

Robert I. Roth, an analyst with Merrill Lynch said, "This way Dart will attract attention to different parts of the company. Without the spinning off of Trak, earnings from Trak could have gotten lost."

Proceeds of Fay's stock offering slated for remodeling, acquisitions

SYRACUSE—The opening and remodeling of stores and facilities, as well as the acquisition of existing drug stores or drug store chains, have been targeted for proceeds of a proposed offering of 1.3 million shares of common stock, Fay's chairman Henry A. Panasci Jr., told shareholders gathered here for the chain's annual meeting.

"Because we are in registration, I am constrained from forecasting or expressing opinions on our prospects," Panasci said about the offering, which on the date of the annual meeting was not yet effective.

"However, it is a fact that we have momentum—and as we enter our 25th anniversary year every aspect of our business is sounder than ever before in our history."

That momentum, launched last year in what was Fay's most productive year ever, continued unabated during the first quarter ended April 30.

Fay's reported net earnings increased to $813,900, or 14¢ per share, on revenues of $68.5 million, compared to earnings of $633,100, or 11¢ per share, on sales of $59.4 million in the comparable period one year ago. (All per share figures reflect the 10% stock dividend paid in August 1982 and the 2-for-1 split distributed in January.)

Results in the typically slow first quarters were enhanced by an intensified TV advertising campaign and the in-store promotion of fine silver and flatware—part of the chain's eight-month-long 25th anniversary celebration, a spokesman said.

That celebration, which revolves around the theme "It's only the beginning," was kicked off in March.

Panasci said the 7¢ per share dividend approved at the company's May 13 Board of Directors meeting was in recognition of Fay's continuing progress. The 1.3 million shares in the proposed public offering include 300,000 shares being sold by certain shareholders, primarily Panasci, who is offering 175,000 of his 1.7 million shares.

Fay's has announced plans for the opening of nine to 12 new stores during the current fiscal year.

Most of the openings are projected for communities within a 250-mile radius of Fay's Liverpool, N.Y., headquarters.

'Hook's the One' ads airborne

INDIANAPOLIS—Capitalizing on its dominance in the state of Indiana, Hook Drug has launched a new advertising campaign called "Hook's The One." Commercials featuring this message were shown to shareholders at the chain's recent annual meeting.

"We continue to emphasize building profitable traffic in all our stores," J. Douglas Reeves, chairman and president, told the group, "and one of the efforts [the ad campaign] in this area is depicted in this room today."

The theme is an extension of Hook's previous slogan—"Let Us Be The One." The new ads have been running about eight weeks and the chain is "quite pleased with the reaction," Reeves reported. The message is used in all Hook advertising including television, radio, print and in-store display materials.

Tom Cunningham, vp advertising, told *Drug Store News* the old theme had been used for five years and it was time for a new twist. "Even the best advertising campaigns lose their ability to capture consumer attention," he said.

The new slogan urges shoppers to consider Hook's for all their needs, Reeves pointed out. Various departments, such as cosmetics, film processing and prescriptions are being highlighted during the campaign.

Pharmacy accounts for 32% of Hook's business. By concentrating on building the Rx business Hook's achieved a 20% leap in script sales during 1982. For 1983, Hook's has formed a pharmacy productivity task force to ensure better service. Also, the chain has accelerated the pace of installing pharmacy terminals; currently 37 of the 272 drug stores have terminals.

With first quarter earnings up 347%, the mood was upbeat at Hook's annual meeting held at the Indianapolis Marriott. Here, president and chairman J. Douglas Reeves greets John Voliva. Voliva is Bud Hook's grandson.

Emphasis on promotion and efforts to improve operations at Hook's were remedies enacted last year when Hook's profits fell into a slump. In fiscal 1981, earnings dropped 20% and in the first quarter of 1982, earnings lagged 56% below those for the year before. At that time, Reeves called for stronger promotional and advertising programs.

The rest of the year showed some recovery and Hook's managed to squeeze a 13% jump in earnings and a 9% increase in sales. Earnings reached $6.6 million on sales of $285.2 million. And, in the first quarter of 1983, earnings rose 347% ahead of last year.

Reeves took time at the recent meeting to thank employees and shareholders for "sticking with us and contributing to this accomplishment.

"You could have—in good conscience"—contributed to the problem by demanding instant fixes. But instead you understood, our board understood and our employees understood and cooperated."

Reeves told the group that Hook's goals may seem "unexciting" because they don't include bold new moves or sweeping new ventures. He did, however, promise new basic drug and convalescent aid stores. Last year 13 drug stores and three convalescent aid centers were opened. This year, about 20 new drug stores will be opened and five new convalescent centers.

Reeves did not have projections for the year 1983. While he feels Indiana will continue to have economic difficulties, he does feel actions taken by Hook's will help improve the chain's situation.

PHARMACY

Drug Fair re-emphasizes compounding service

BRANCHBERG, N.J.—Compounding prescriptions is a practice that many retail pharmacies have de-emphasized over the years, but that may change if results achieved by Drug Fair of New Jersey continue to prove successful.

As part of its detailing program, the chain began promoting pharmacists' willingness to compound scripts. Dermatologists were targeted as the medical specialty group most interested in the program.

In addition to promoting compounded scripts to derms, pharmacists from the 21-store chain also actively detail other doctors. As a result, physicians readily become familiar with the chain's promoted benefits.

Pharmacist Bill Cramer prepares a compounded prescription at Drug Fair of New Jersey's Westfield store.

"In addition to compounding, we also emphasize our computer system and its patient advantages," says George Bizink, the firm's buyer of drugs and pharmaceuticals. "And we advise doctors that patients should have their medication records accessible from one source."

The central New Jersey-based chain prides itself on high levels of productivity and customer satisfaction as a result of its emphasis on computers.

"We inform physicians that we frequently can fill patients' scripts in as little as 10 minutes," notes Bizink.

The compounding program is detailed for all the chain's pharmacies, but it pays added dividends for newly opened outlets. Physician detailing represents an easy, relatively inexpensive way to build prescription volume, create physician goodwill, and build customer satisfaction.

In one newly opened pharmacy, 30% of all new scripts were written by dermatologists.

A different variation of the same theme works in busy older pharmacies where compounding scripts can at times impede work flow. Pharmacists

Continued on page 11

Inderal tops list of 100 most prescribed drugs

NEW YORK—Ayerst's Inderal topped the 1982 list, accounting for more prescription sales than any other drug product.

Lanoxin, Dyazide, Valium and Tylenol (with codeine) ranked two through five, in that order, for combined new and refill prescriptions sold during the year.

Pharmaceutical Data Services, (PDS) a subsidiary of Foremost-McKesson, tracks the pharmaceutical industry and has provided this top 100 list. Other industry sources have recapped fourth quarter action and made some predictions by drug category for business in 1983.

Antibiotic products (except tetracyclines) showed a 10% rise in prescription volume in the fourth quarter of 1982. Within this category, oral cephalosporin prescriptions rose 14% and semi-synthetic penicillins (ampicillins and amoxicillins) gained 13% in prescription volume during the same period.

Fourth quarter prescriptions for ethical analgesics were up 7% in 1982. In this group, nonnarcotics gained 12% in script volume while the narcotic analgesics rose 5%. Codeine-based products showed only a 3% gain in fourth quarter prescriptions over 1981, yet the propoxyphene group was up 7%.

Another leading prescription category, antiarthritics, recorded a 10% rise in fourth quarter prescriptions over the same period in 1981. Notably affecting this group was the introduction of piroxicam and the withdrawl of benoxaprofen (Oraflex).

For 1983, industry sources see this category as a mover. New product introductions are expected from Warner-Lambert (Maxicam), Merck (Osmosin—a new, safer slow release indomethacin), and SmithKline (Ridaura—an oral gold preparation).

Cardiovascular drugs registered a 10% gain in fourth quarter prescriptions in 1982, ending with total 1982 business of $10 million. Industry projections earmarked the heart drugs for growth to a $25 million category by 1990.

New indications for established drugs and more extensive use of the beta blockers should account for this growth.

1982 top 100 drug products by total number of scripts

1. Inderal (Ayerst)
2. Lanoxin (BW)
3. Dyazide (SKF)
4. Valium (Roche)
5. Tylenol (McNeil)
6. Lasix (Hoechst)
7. Tagamet (SKF)
8. Motrin (Upjohn)
9. Ortho Novum (Ortho)
10. Keflex (Dista)
11. Aldomet (MSD)
12. Amoxil (Beecham)
13. Slow-K (Ciba)
14. Darvocet-N (Lilly)
15. Dalmane (Roche)
16. Dilantin (Parke Davis)
17. Premarin (Ayerst)
18. Dimetapp (Robins)
19. Synthroid (Flint)
20. E.E.S. (Abbott)
21. Naprosyn (Syntex)
22. Benadryl (Parke Davis)
23. Ativan (Wyeth)
24. Indocin (MSD)
25. Zomax (McNeil)
26. Lopressor (Geigy)
27. Actifed (BW)
28. Diabinese (Pfizer)
29. Theo-Dur (Key)
30. Lo/Ovral (Wyeth)
31. Isordil (Ives)
32. Hygroton (USV)
33. Empirin w/Codeine (BW)
34. Tranxene (Abbott)
35. Clinoril (MSD)
36. Hydrodiuril (MSD)
37. Omnipen (Wyeth)
38. E-Mycin (Upjohn)
39. Percodan (DuPont)
40. V-Cillin K (Lilly)
41. Persantine (Boehringer)
42. Monistat (Ortho)
43. Donnatal (Robins)
44. Zyloprim (BW)
45. Mellaril (Sandoz)
46. Norinyl (Syntex)
47. Timoptic (MSD)
48. Thyroid (Armour)
49. Aldoril (MSD)
50. Minipress (Pfizer)
51. Ovral (Wyeth)
52. Fiorinal (Sandoz)
53. Pen Vee K (Wyeth)
54. Bactrim DS (Roche)
55. Drixoral (Schering)
56. Elavil (MSD)
57. Corgard (Squibb)
58. Achromycin V (Lederle)
59. Atarax (Roerig)
60. Ceclor (Lilly)
61. Septra DS (BW)
62. Phenobarbital (Lilly)
63. Triavil (MSD)
64. Antivert (Roerig)
65. Naldecon (Bristol)
66. Feldene (Pfizer)
67. Librium (Roche)
68. Sinequan (Roerig)
69. Lomotil (Searle)
70. Coumadin (DuPont)
71. Vibramycin (Pfizer)
72. Mycolog (Squibb)
73. Catapres (Boehringer)
74. Restoril (Sandoz)
75. Procardia (Pfizer)
76. Tenormin (Stuart)
77. Librax (Roche)
78. Aldactazide (Searle)
79. Alupent (Boehringer)
80. Nitrostat (Parke Davis)
81. Pfizerpen VK (Pfipharmecs)
82. Brethine (Geigy)
83. Amcill (Parke Davis)
84. Tolinase (Upjohn)
85. Ornade (SKF)
86. Apresoline (Ciba)
87. Cortisporin (BW)
88. Macrodantin (Norwich)
89. Synalgos-DC (Ives)
90. Nitro-Bid (Marion)
91. Nalfon (Dista)
92. Flexeril (MSD)
93. Phenergan w/Codeine (Wyeth)
94. Wymox (Wyeth)
95. Esidrix (Ciba)
96. Deltasone (Upjohn)
97. Sumycin (Squibb)
98. Ser-Ap-Es (Ciba)
99. Valisone (Schering)
100. Septra (BW)

Medicaid curbs seem to hike hospital, nursing costs

The facts are in—state Medicaid formulary restrictions don't save the public money. In fact, costs are shifted to more expensive hospital and nursing home care.

It's often stated that elimination of selected drug products from state Medicaid formularies is counterproductive. And this is backed up by a number of studies.

The Jacobs, Meyerhoff and Sudovar study (1983) compared the health care costs in two states—Louisiana—a state with a restricted formulary—and Texas—where the formulary remains unrestricted. Although 96% of the study group continued to receive prescription benefits during 1977, the number of total scripts per person declined 22% from 22.5 to 17.6. This decline was associated with a 20% increase in hospitalization, from 10.8% of the group to 13%. And hospitalization increased from 0.88 days per person in 1976 to 1.08 in 1977 (up 23%). Nursing home use by the group under study also increased from 12.8 days per person in 1976 to 13.6 days per person in 1977, or a 6% increase.

The Hefner study published in 1980 reported total expenditure increases in Louisiana of $23.69 per Medicaid recipient following formulary changes, while the increase in Texas for a similar period (six months of 1976 and 1977) was $4.08.

The 1979 Hefner study indicated formulary closure increased costs for nonpharmaceutical services. His theory proved correct in Louisiana where formulary closure was associated with increased demand for other health services. This produced a net increase of over 7% in total Medicaid expenditures, according to the study.

Joseph Caputo, RPh
Pharmaceutical Editor

Sudovar & Rein compared Medicaid expenditures in Texas and California. California's closed formulary resulted in administrative expenditures 3½ times as great as costs associated with the Texas program.

The 1974 Taubman study analyzed Medicaid expenditure data in 27 states and concluded that states with restrictive formularies registered the highest per capita pharmaceutical expenditures.

In 1972 the Hammel study discovered that closed formulary states spent more in total expenditures, and more on a per capita basis for medical care than open formulary states.

As expected, the number of prescriptions written for Medicaid patients declined sustantially after formulary restrictions. Money is saved on the prescription portion of the program but as surveys indicate, costs associated with the use of nursing homes and hospitals rise.

In addition Medicaid patients tend to remain in these institutions for extended periods of time.

So states don't save on expenses by limiting or closing a formulary. Rather costs are shifted to a different point in the health care distribution system.

The net result of this cost shift is added taxes to the public plus a lot of inconvenience to patients.

Retail pharmacies take it on the chin, too, because popular drug categories are often cut back or eliminated when formularies are restricted.

When categories like anorexics, antacids, antianemia preps, cough and cold products, digestive aids, minor tranquilizers and vitamins are cut from a formulary, buying patterns are destroyed.

So in the long run, shifts toward closed formularies may prove detrimental to a state's tax program. Patients are shifted from tax-paying retailers to tax-free institutions like nonprofit hospitals.

While on the surface it appears that states save money by limiting or closing formularies, these savings don't accrue if patients are shifted to more expensive components of the health care system. When this happens patient services often cost more and the state makes it more difficult for tax-paying businesses to survive.

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CHAIN STORE AGE
MERCHANDISER

Cosmetics magic reappears—p. 17

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DRUG STORE NEWS®

Vol. 5 No. 13/Incorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./June 13, 1983

Giant, Eckerd launch OTC info systems

D.C. food chain introduces graphic symbols in labeling

WASHINGTON—The Washington, D.C.-based Giant Food supermarket chain urged drug stores and other sellers of over-the-counter products to follow its lead in introducing a new drug-labeling program featuring graphic symbol warnings.

The program introduced late last month in Giant stores, including its 72 food-pharmacy combo outlets, is aimed at creating "a quick and effective mechanism for the consumer to determine if a Giant product is safe for a particular person," Giant nonprescription drug label review committee chairman Robert Pinco said.

The new symbols on selected Giant brand OTC products illustrate "warnings for pregnant and nursing women, and young children, as well as for people with health problems such as heart disease, diabetics, kidney disease and high blood pressure," Pinco, former head of the Food and Drug Administration's OTC Drug Review division pointed out.

One symbol depicts a pregnant woman with a red line through her body—a sign that she should seek the advice of a health professional before using this product, Giant officials noted.

Calling the program the "first of its kind," Pinco said that the "symbols can help not only busy consumers, but also non-English speaking customers and those with limited reading ability."

Although at presstime these symbols were only appearing on 12 Giant OTC drugs, "within

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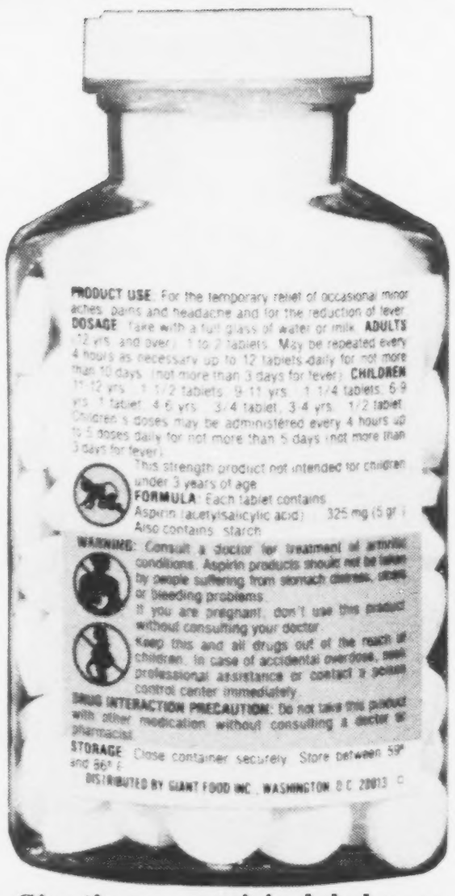
PRODUCT USE: For the temporary relief of occasional minor aches, pains and headache and for the reduction of fever.
DOSAGE: Take with a full glass of water or milk. ADULTS (12 yrs. and over): 1 to 2 tablets. May be repeated every 4 hours as necessary up to 12 tablets daily for not more than 10 days (not more than 3 days for fever). CHILDREN 11-12 yrs.: 1 1/2 tablets. 9-11 yrs.: 1 1/4 tablets. 6-9 yrs.: 1 tablet. 4-6 yrs.: 3/4 tablet. 3-4 yrs.: 1/2 tablet. Children's doses may be administered every 4 hours up to 5 doses daily for not more than 5 days (not more than 3 days for fever).
This strength product not intended for children under 3 years of age.
FORMULA: Each tablet contains:
Aspirin (acetylsalicylic acid) 325 mg (5 gr.)
Also contains: starch
WARNING: Consult a doctor for treatment of arthritic conditions. Aspirin products should not be taken by people suffering from stomach distress, ulcers or bleeding problems.
If you are pregnant, don't use this product without consulting your doctor.
Keep this and all drugs out of the reach of children. In case of accidental overdose, seek professional assistance or contact a poison control center immediately.
DRUG INTERACTION PRECAUTION: Do not take this product with other medication without consulting a doctor or pharmacist.
STORAGE: Close container securely. Store between 59° and 86° F.
DISTRIBUTED BY GIANT FOOD INC., WASHINGTON D.C. 20013

Giant's new aspirin label uses symbols to supplement important written directions.

Fla.-based drug units offer prerecorded phone advice

CLEARWATER, Fla.—Eckerd is testing a computerized phone answering system that links consumers at home to a selection of prerecorded messages about a variety of OTC drug categories.

The health information program, known as "Healthline," is designed to support pharmacists at the chain's prescription departments.

Telephonic hookups were first placed in service on May 9. Brochures announcing the new service are being distributed to consumers served by 107 Eckerd pharmacies in the Hillsborough and Pinellas, Fla., areas.

An Eckerd spokesman said the chain expects the system to be available in all markets if the test proves successful.

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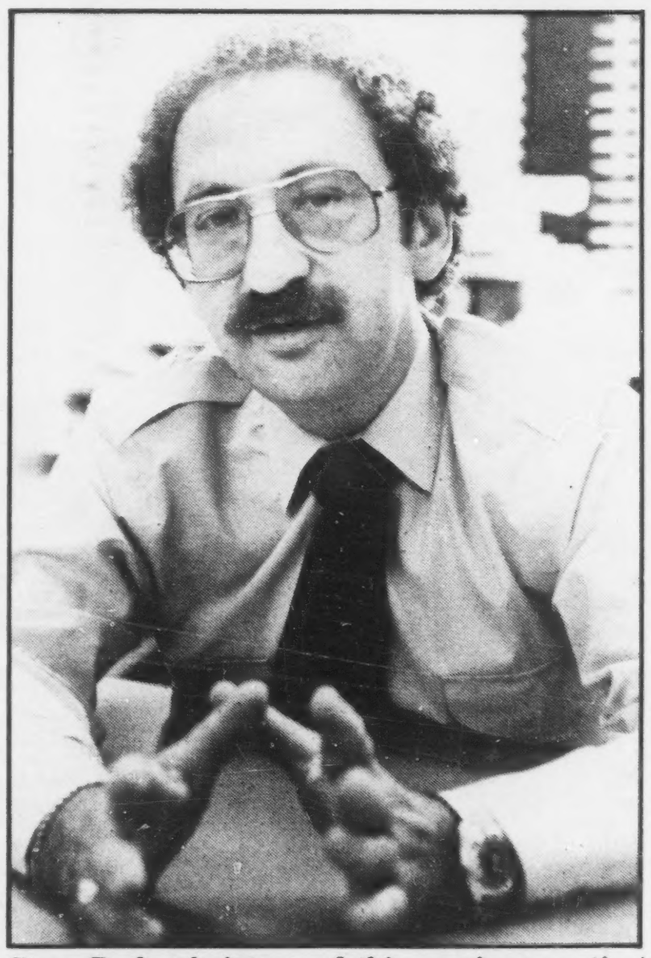
Brochures feature a new "Healthline" logo.

Peck on cosmetics: 'Upgrade!'



Steve Peck, chairman of this year's cosmetics/fragrance marketing conference, feels drug retailers need to make their stores more appealing.

By Faye Brookman

ALEXANDRIA, Va.—It is appropriate that this year's chairman of the National Association of Chain Drug Stores annual cosmetic/fragrance marketing conference is Steve Peck, vp and merchandise manager at Peoples Drug Stores. The reason: Peck's views on the future of chain drug cosmetics correlate with those of the many vendors, buyers and merchandisers who will convene in Seattle for the three-day event.

"Drug chains must make their stores exciting to shop . . . there has to be a reason to come into our stores rather than into the competition's," Peck said during a recent interview.

Industry leader profile

With the move to upgrade in mind, Peoples has been giving its stores a facelift including the latest in fixturing and merchandise. The chain is also bringing the cosmetician out of the stockroom and back on the floor to assist shoppers. This is being done in a select group of Peoples' 554 stores.

"We like to think of ourselves as the Bloomingdale's of the drug cosmetics business," Peck said. "Cosmetics is our No. 2 franchise, right behind pharmaceuticals."

Peoples' concentration on the cosmetics department is a direct reaction to chain's realiza-

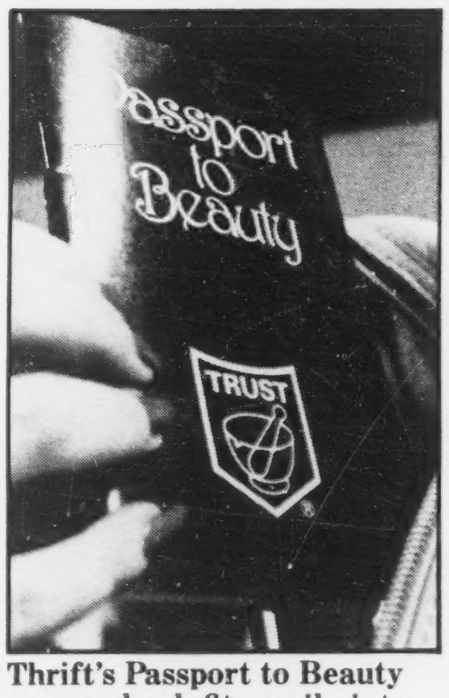
Continued on page 63

Offers coupons, prizes

Thrift 'passport' spurs cosmetics adventures

By Allen Mundth

PITTSBURGH—Joanna Rullo, a customer for many years at the Thrift Drug Store near her family's home here, is being rewarded for her loyalty in a big, big way.



Thrift's Passport to Beauty coupon book fits easily into pocket or purse.

The 20-year-old West Virginia University student and a Chester, Pa., woman are among the first winners in Thrift's unique and successful "Passport to Beauty" cosmetics promotion.

The promotion not only won Rullo a two-week expense-paid trip to Europe, which she intends to give to her parents, but has also introduced the young co-ed to a variety of cosmetic products that she readily admits she "never knew existed."

By mid-May, customers at Thrift's 356 cosmetics departments had submitted more than

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LATE NEWS

THIRD QUARTER EARNINGS FOR THE JACK ECKERD CORPORATION rose 9.4% to $16.5 million, while sales for the period, ended April 30, advanced 12.6% to $590.6 million. The drug division recorded sales of $519.7 million, a 12% increase over 1982. Earnings, however, declined slightly from $34 million to $33.4 million.

For the nine months, corporate sales rose 10.7% to $1.7 billion; earnings declined 1.2% to $57.2 million. The drug division's nine-month sales were $1.5 billion vs. $1.4 billion; operating profit increased to $109.9 million from $106 million.

Study prompts Super D to move big sellers up front

By Mike Dunn

MEMPHIS—Malone and Hyde's computer study of how drug store consumers shop has changed the merchandising strategy of the company's Super D drug stores.

Instead of using high-draw items as anchors that lure customers past possible impulse items, the high-draw items have been located where they are easily accessible.

The concepts learned in the computer study were implemented in the opening of two new prototypes last fall: a 7,200-sq.-ft. store (6,000 sq. ft. selling) in East Memphis and a 5,800-sq.-ft. store in north Memphis.

The computer study revealed that customers went into the stores for specific items they wanted. "There was not much migration within the stores. She'll get some items near the checkout as she passes by some merchandise," one Malone and Hyde executive said.

One of the most popular Super D items is beer. Beer coolers used to be in the back to act as an anchor.

At the East Memphis store, the coolers are right up front, to the right of the centrally located entrance. A 36-ft. beer, soda and juice cooler extends along the right front wall.

At the north Memphis unit, the cooler is in the left rear wall near the corner, easily accessible from the front left entrance.

As a result of the computer study, the beer is more accessible. "We've increased the frequency rather than increasing the dollar per trip," said a chain employee.

Beer and snacks are heavily promoted by Super D. A full-page ad in the May 25 edition of the *Memphis Commercial Appeal* featured a 6-pack of Coor's

Continued on page 63

Managers can monitor progress

Longs tracks store profits, increases earnings

WALNUT CREEK, Calif.—A new system that tracks weekly gross profits store by store has helped Longs Drug Stores return to strong earnings growth after a disappointing third quarter last year.

The system, which was introduced in the fourth quarter of fiscal 1983 after it became clear that consumer cherry-picking had damaged third-quarter gross margins, also calls on managers to project sales volumes and margins quarter by quarter.

"Then on a week-by-week basis, managers monitor their progress as a means of reaching or exceeding their objective," Richard A. Scott, executive vp, told shareholders at the annual meeting here.

As a result of the new system as well as a revision of an aggressive third-quarter promotional strategy, the chain reported that first quarter net profits increased almost 17% on a year-to-year basis to $7.9 million, or 75¢ a share. Sales for the quarter ended April 28 rose 9% to $279.6 million from $255.5 million in the corresponding year-earlier period.

The third quarter's slip in operational profits, which resulted in holding down fiscal 1983's earnings gain from operations to 7%, was caused by what one executive called "the defensive posture" of consumers in a period of recession. To counter the trend and build greater market share, Longs used heavy price promotions.

But the chain "did not anticipate the extent of consumer cherry-picking," the exec said, and so while sales increased by 11%, gross margins suffered.

"We started taking action halfway through the fourth quarter," the exec said. "We became more selective in the items that we advertised to insure that we weren't cherry-picked to death as we were in the third quarter.

"At the same time, Bob Long started a gross profit tracking system that could be followed at store level to give managers a better handle on what was happening. It was not so much what we did, but what the stores did," he said.

The turnabout began to be felt in the second part of the

Continued on page 63

. . . as ideas from workers boost sales

WALNUT CREEK, Calif.—Sometimes it's not just the products and the way they're displayed and promoted that can trigger a spurt in sales. Often, it's the people who sell the products.

Longs Drug Stores proved that retail adage in spectacular fashion at the chain's Mountain View store, located on the San Francisco peninsula south of the city.

Just before the Christmas selling season, the store's five cosmeticians put their heads together to see if there was any way to improve department sales.

One thing that had been bothering them was the number of times that other tasks took them away from the selling floor. As a result of haphazard coverage, there were often periods when no cosmetician was on hand to help advise customers.

What the cosmeticians decided on their own was to arrange their schedules so that at least one of them was available in the department at all times. Other than helping customers, the only things they would do were minor adjustments of facings or other light housekeeping jobs.

What happened after the new schedule was put into place?

Richard A. Scott, executive vp of the Walnut Creek, Calif.-based chain, told shareholders at Longs' recent annual meeting that "sales immediately doubled."

Scott was so impressed that the employee-generated idea led to such significant results that he has been repeating the story at every district meeting to drive home the importance of what the chain terms its "value-added concept."

Scott believes the story illustrates two basic strengths of Longs' approach to retailing: 1) Store autonomy as well as cross-pollenization of employee ideas creates an atmosphere in which potent selling tactics easily emerge (something like

Continued on page 63

— News in brief —

Rite Aid's Grass assumes planning duties

Rite Aid Corp. has appointed Martin Grass to the new position of vp of corporate planning and development. Grass, who had been vp for real estate, will retain his real estate department responsibilities and will have an expanded role in corporate planning, financial and investor relations and corporate communications.

The chain also appointed five other corporate vps. Charles Slane, who had been assistant vp and secretary of the corporation, has been promoted to vp in the legal department. F. Edward Chappell has been promoted from assistant vp to vp for real estate. David L. Dalton was promoted from assistant vp to vp of professional relations. James Krahulec was promoted from assistant vp to vp for Government and trade relations. Ronald A. Miller was promoted to vp of distribution. In addition, Gerald P. Cardinale was promoted to assistant vp of merchandising.

Malone & Hyde opens 97th Auto Shack

MEMPHIS—Malone & Hyde, which operates 100 drug stores, has opened its 97th Auto Shack discount store. Malone & Hyde finished fiscal 1982, which ended last June, with 64 of the discount auto parts stores. The company will finish fiscal 1983 on June 25 with 115 of the units. No new drug stores have been opened in the last six months. Most of the drug stores are operated under the Super D banner. The company's main business had been food wholesaling and the operation of 49 supermarkets.

FoxMeyer goes public

DENVER—The FoxMeyer Corp. is going public with a 1.6-million-share offering that is expected to generate approximately $27.2 million, most of which will be used to pay off the wholesaler's bank debt.

In addition to the 1.6 million shares being offered by the comapny, another 400,000 shares will be offered by the investors who put up the venture capital when they acquired the firm five years ago.

SDM promotes two in Southeast

BOCA RATON, Fla.—Shoppers Drug Mart Inc. has named Allan Goldman director of marketing and Joe Cote director of operations in the chain's Southeast United States operation.

Goldman joined Shoppers Drug Mart in 1980 as director of purchasing.

Cote joined Shoppers Drug Mart in 1973 and was originally assigned to the chain's Ontario, Canada headquarters.

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Vol. 5, No. 13 June 13, 1983

Jim Harrison, left, Reggie LaVerdiere, center, and Stewart Turley, right, meet U.S. House of Representatives members John R. McKernan of Indiana and Michael Biliakis of Florida.

Another look at the NACDS gala

Walda and Sydney Besthoff chose a brightly colored contemporary painting at the National Art Gallery as a backdrop for their photograph.

Gibson Greeting Card president Thomas M. Cooney and former U.S. Tresury Dept. secretary William E. Simon greet Sidney Dworkin at a political reception.

Fred Canning and wife Margaret, left, Corky Walgreen, center, and Vernon Brunner and wife Sharon, pause during a gala reception at the National Art Gallery.

PHARMACY

Discontent over detail visits grows among pharmacists

By Joseph Caputo, RPH

NEW YORK—Pharmacists in retail settings are more dissatisfied this year with the number of times detail people visited their prescription departments than they were in 1981.

This is one of the main findings of a survey involving 607 chain and independent pharmacists conducted earlier this year by *Drug Store News*.

In addition to measuring levels of satisfaction among practitioners, the survey of 383 chain and 224 independent pharmacists also monitored introductory detail visits for new products, levels of drug product selection, and ratings of selected information sources.

How well manufacturers' reps communicated drug information to the trade was also measured in the survey. A number of interesting findings emerged:

• Pharmacists' satisfaction

Overall pharmacists are not satisfied with the frequency of detail calls. Almost one-half (45%) of all pharmacists surveyed said that they were "not very/not at all satisfied" with the number of visits. This represents an eight percentage point increase over the earlier survey result.

In the current survey, levels of dissatisfaction are especially evident among chain pharmacists. A significantly greater proportion of pharmacists working in chains (23%) indicated they were "not at all satisfied" with the number of visits made by detail reps than were pharmacists working at independents (9%).

Over half of all chain pharmacists (52%) interviewed in the current survey said they were "not very/not at all satisfied" with the number of detail visits. This percentage represents an eight-point increase over the earlier finding.

But there was also a significant increase in the number of pharmacists in independent drug stores who were dissatisfied. Indeed, 35% of all independents interviewed stated they were "not very/not at all satisfied," up from 26% in the earlier survey.

• Why pharmacists are dissatisfied

"Never showing up" represented the main reason cited by respondents who rated the number of detail visits "not too/not at all satisfying." For example, 44% of the 246 respondents in this group cited "detail people never call/don't come by" as the main reason for their displeasure. Other spontaneously mentioned reasons were: "Give limited information on new drugs (19%), "don't take back returns/ outdated stock" (18%), and "more interested in taking new orders/placing product" (9%).

On a more positive note, 108 pharmacists said they were "extremely/very satisfied" with the frequency of detail visits. And 26% of those who expressed satisfaction noted that detail reps" visit frequently/on a regular basis" as the reason for their opinions.

"Detail new products/provide valuable information/updates" was noted by another 26% of the "extremely/very satisfied" group.

A negative factor cited by 24% of the 108 pharmacists expressing satisfaction focused on the fact that detail reps "visit at inappropriate times/never make an appointment."

When detail reps do call on a pharmacy, the incidence of specific product discussion by the salesman is the same for chain and independent pharmacists. Almost half (49%) of the pharmacists surveyed noted that visiting detail reps "nearly always" share specific product information.

• Drug Product Selection

The level of pharmacist dissatisfaction takes on special significance when the amount of drug product selection is considered.

According to the survey, pharmacists are exercising their options under drug product selection approximately 38% of the time.

The proportion of heavy substituters—those dispensing other than the branded product more than 75% of the time—is increasing. Heavy substituters comprised 34% of all pharmacists who stated that they substitute (595 of the 1983 sample). This percentage compares to 18% of all pharmacists who were heavy substituters in the previous study.

Whether pharmacists worked at chain or independent outlets had very little influence on the substitution patterns of respondents. Chain pharmacists were just as likely to substitute as those who worked at independents.

More revealing, the greatest percentage of pharmacists expressing dissatisfaction with the number of detail visits were also the heaviest substituters. Of the 278 pharmacists who expressed negative opinions about the number of detail visits 59% substitute more than half the time. This compares with 35% of the 192 pharmacists who were negative last year.

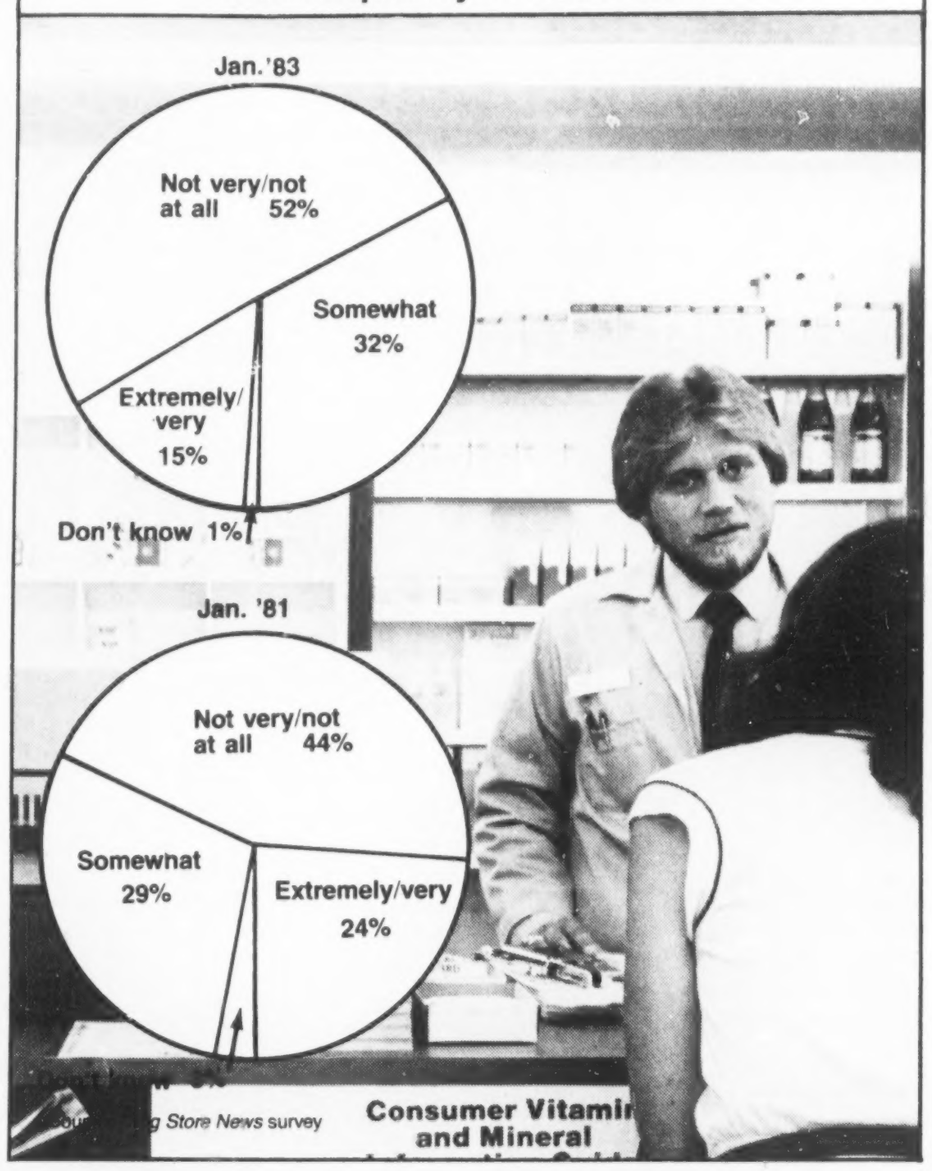
• Reasons for substitution

Economic reasons are given most often by pharmacists as an explanation why multisource generic drugs are substituted for branded medications. For example, "price/cost to the patient" was spontaneously cited most often (73%) as the reason for substitution.

And more than two-thirds of

Continued on page 8

Chain pharmacists' degree of satisfaction with frequency of detail calls



Genovese readies pharmacy computer roll-out

MELVILLE, N.Y.—The first of Genovese Drug Stores' 70 pharmacy departments will receive an IBM Series I standalone computer system later this month as the Long Island-based chain launches its pharmacy automation program.

The IBM system, which Genovese selected after reviewing proposals from several other firms, will be installed on a unit-by-unit basis during the next year. Genovese execs are currently working with IBM to modify the system's "pure vanilla" software package to accommodate the chain's needs. In addition, a former in-store pharmacist, assigned to familiarize Genovese pharmacists with the new system, is now receiving special training from IBM.

"This really is a crawl-before-you-walk type of process," said Herb Kett, the chain's sr. vp for operations and administration.

"The process will begin slowly," he said, "but will accelerate once we get more pharmacists familiar with the system and can switch them around from store to store."

Kett said initial installations will be targeted for the chain's heavy concentration of stores in Long Island's densely populated Nassau, Queens and Suffolk Counties—stores which generate not only higher-than-average Rx volume, but also a greater proportion of third-party payment purchases.

Prescriptions accounted for 23% of Genovese's fiscal 1983 sales of $158.6 million, and approximately 29% of all prescriptions were issued to persons who paid via third-party provider.

The stand-alone computers servicing Genovese stores will provide all of the now-standard pharmacy functions, including patient profiles, drug interaction alerts, processing of third-payment reimbursement forms, label printing, and personal year-end tax receipts. A host computer at Genovese headquarters here will automatically retrieve vital information from each store's computer system on a daily basis—information that will be used by central management in making buyer, pricing, merchandising, promotion and other key decisions.

Anticipated benefit

Kett said Genovese selected a stand-alone system, rather than an on-line system, because of the additional functions such units can perform in individual stores. The IBM units will eventually be upgraded so that each store's manager can use the system to prepare and monitor time and attendance records, purchase orders, cash reports, inventory control and buy card functions. In addition, the stand-alone system eliminates the risk of an entire on-line system going "down" at some time.

"The stand-alone system," Kett said, "has a lot more capabilities than the on-line system. With it, there's so much more that we can do at the store level than we could had we gone with an on-line unit."

A.M.A.'s help could aid drug information distribution

Joseph Caputo, RPh
Pharmaceutical Editor

It appears that everyone except the American Medical Association is encouraging patients to ask their pharmacists questions about drugs.

Schering is running ads in *Newsweek*, *Time*, and *TV Guide* advising consumers to obtain drug-related information from their pharmacists.

And that's not all. The National Council on Patient Information and Education (NCPIE) is distributing a 30-second television announcement which encourages people to seek information on prescription drugs from pharmacists.

These are but two of many positive public service announcements that depict pharmacists as reliable sources of drug information.

Unfortunately there are also some negatives on the horizon: for example, the A.M.A. seems reluctant to place a simple tagline at the bottom of its Patient Medication Instructions (PMI) mentioning pharmacists.

Pharmacists generally agree that a reference to them on all PMI leaflets would help foster cooperation and communication between physicians, patients, and pharmacists. This approach would also broaden distribution of PMI's, offering consumers a consistent message about the drugs they take.

Only 10% to 15% of physicians in private practice now use the PMI program. The total number of PMI's distributed could be raised significantly if pharmacists also participated in the program.

After all, most patients interact more frequently with pharmacists than physicians simply because pharmacists are more accessible.

The fastest way to obtain pharmacists' cooperation and support is to mention these professionals.

Cooperation between pharmacists and physicians will reinforce patients' levels of confidence, degree of instruction, and awareness of proper dosing. Petty professional differences should not be allowed to interfere with these noble goals.

PHARMACY

Discontent over detail visits grows among Rxmen

Continued from page 7

all respondents (69%) agreed that generics were "therapeutically equivalent," while only 21% disagreed.

• Detail visits for new products

According to the survey, less than half of the respondents received visits from manufacturers' reps during the first six months after a new product launch.

During this time period, detail personnel from Stuart (for Tenormin) were most likely to visit pharmacies. Other firms frequently mentioned included Pfizer (for Procardia) and Upjohn (for Xanax).

More than one-third of the respondents noted that they were visited by the following manufacturers' detail reps during the six-month post-launch period: Ciba-Geigy for Transderm Nitro; Searle for Calan; Wyeth for Wytensin and Marion for Carafate.

Those manufacturers' detail reps less likely to visit retail pharmacies up to six months after a product's introduction included Schering for Paxipam; Knoll for Isoptin and Sandoz for Visken.

Comparisons between independent and chain pharmacists reveals a wide disparity in the number of trade calls. A significantly higher proportion of independent pharmacists received visits from each of these manufacturers' detail people than their chain counterparts. There was one exception: Virtually the same proportion of chain and independent pharmacists received introductory detail visits from Knoll.

• Satisfaction with detail visits

When the entire sample was asked whether they were satisfied with the introductory visits on selected new products, Stuart and Pfizer achieved the highest level of satisfied pharmacists—42% for each company.

One-third or more of the pharmacists surveyed claimed satisfaction with the introductory visits for the following new products: Xanax (36%), Transderm Nitro (36%), Calan (34%), Carafate (32%), and Wytensin (32%).

A lower number of pharmacists reported satisfaction with details for Isoptin (25%), Paxipam (24%), and Visken (21%).

Pharmacists' levels of satisfaction varied significantly between practice settings. Independent pharmacists were much more likely to be satisfied with selected manufacturer introductory visits than their chain counterparts. With the exception of Isoptin, a significantly higher proportion of independent pharmacists expressed satisfaction with their details.

There is a strong association between the incidence of detail visits and pharmacists satisfaction with that visit. When visits are made for new products, most pharmacists are satisfied with the quality of the call.

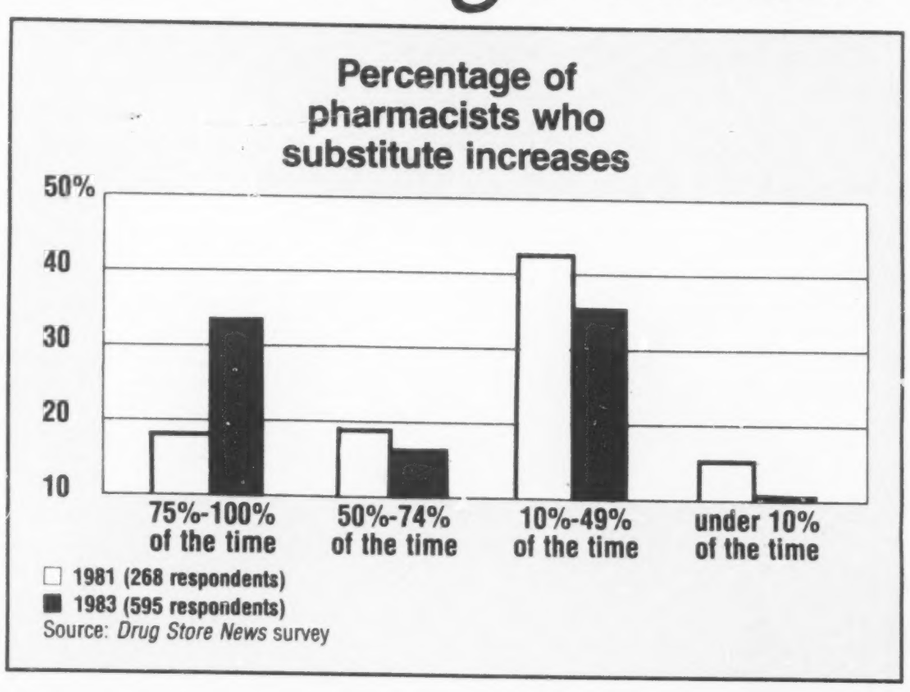
• Sources of patient information

Pharmacists—chain and independent—are generally pleased with the effectiveness of sources of information available on prescription drugs. On a five-point scale of "extremely effective" to "not at all effective" over two-thirds of all pharmacists gave the greatest proportion of high ratings to product package inserts (69%), direct mail from manufacturers (53%), and drug manufacturers' sales reps (53%).

Other sources of information mentioned as "extremely/very effective" included pharmacy trade news stories (45%), pharmacy trade advertising (34%), and the *Physicians' Desk Reference* (27%).

Over three-quarters of all pharmacists surveyed stated they are generally pleased with sources of information provided on prescription drugs. Seventy-seven per cent reported present sources are adequate. And among the 22% claiming that patient information was inadequate, 36% cited "not enough detail about side effects, drug interactions, and precautions."

Other spontaneously mentioned reasons for dissatisfaction included the "need for more information/new products requires concise sources," mentioned by 30%. Another 16% mentioned that material was "not written clearly/medical jargon was not comprehensive/information was not usuable."



Pharmacists were also asked about the type of information they wanted from drug manufacturers. Ninety-four per cent selected "possible adverse reactions" and 92% mentioned "patient instruction" as the type of information they most desire.

Pharmacists frequently noted that they would also like to know what is said when a product is detailed to a physician—specifically how the product is to be used (62%), and to whom the product is detailed by physician specialty (42%). Twenty-four per cent also wanted to know products' detailing cycles.

• Respondent profile

More than half (55%) of all those taking part in this survey graduated from pharmacy school since 1969. The vast majority of the respondents—77%—hold B.S. degrees and 81 are males.

An equal proportion of the sample assigned "extremely/very important" ratings to being a professional pharmacy executive (35%) or owning their own pharmacy (35%).

The majority (35%) of all respondents in this survey work in the central United States. The balance work in the Southeast (23%), Northeast (18%), Pacific (10%), North Central (8%), and mountain (3%) regions.

The average chain represented in the survey has 587 outlets.

Lilly study:

Independents' sales are up but profit margins down

NEW YORK—Last year may well be remembered as the period in which a sales miracle occurred for independently owned community drug stores.

But significantly greater merchandise costs and expenses helped keep a lid on owner's pretax profits, causing net profits expressed as a percent of sales to decline to 2.9%, their lowest level reported in recent history.

According to figures noted in the Lilly Digest Preliminary Report of 904 United States pharmacies, pretax profit margins for an average independent pharmacy dropped 0.3 of a point.

Average sales in the same outlet totaled $520,000, an increase of $81,000 (+18%) over 1981 sales volume. But a typical store's cost of goods sold advanced 20% to $345,000 (+$57,000) from the previous year's total of $288,000.

The increase cut into gross margin, forcing a decline to 33.6% from 34.3%. Inventory turnover, however, increased to 4.5 times per year from 4.3 times in 1981. As a result of increased velocity, retailers received $1.51 in gross margin dollars for every dollar invested in stock during 1982, compared to $1.47 in 1981.

In terms of gross margin dollars, increased turnover offset declining gross margin percentages.

At the same time, total 1982 expenses for an average store increased 17%, or $159,500 on an annualized basis.

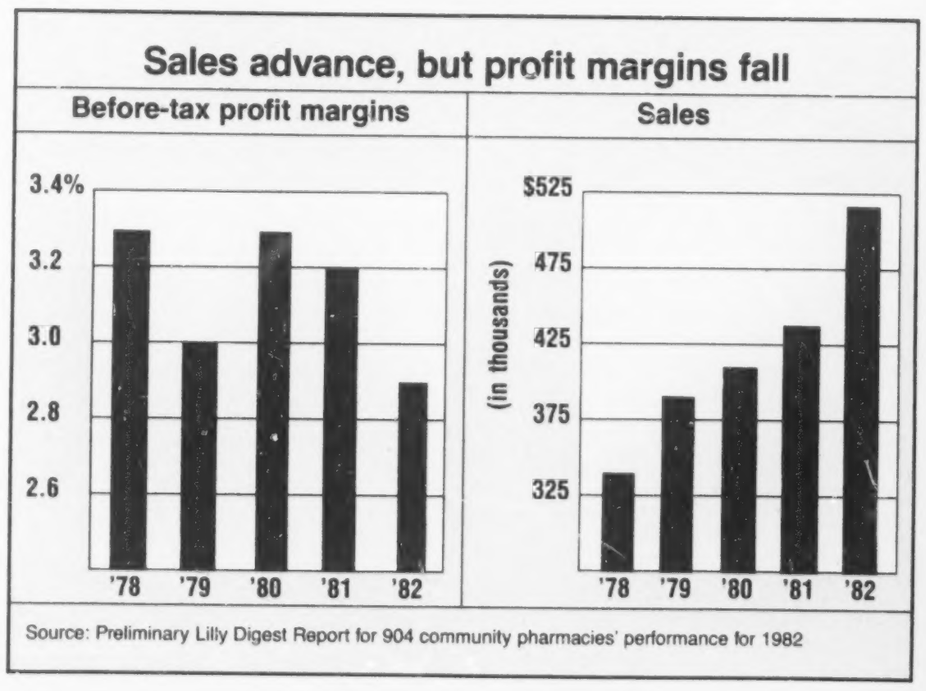
According to the Digest, prescription sales advanced 17% to $280,000, and over-the-counter volume rose more sharply. Sales of merchandise other than prescription products climbed 20% or $41,000, to $240,000.

An average prescription cost consumers $9.88, an increase of $1.08 over the level reported for 1981. And the number of scripts dispensed totaled 28,319 per outlet, for a gain of 4% over 1981. New scripts grew 5% to 13,852 on the strength of numerous new product introductions, while refill scripts advanced 3% to 14,467.

The Digest also reported that store hours remained unchanged, with a typical store open 62 hours per week during 1982 and 1981.

Size of an average pharmacy's floor area continued to grow larger and totaled 2,611 sq. ft. in 1982, up from 2,402 sq. ft. reported in 1981.

An increase in overall sales more than offset the advance in floor area, and this resulted in a 9% increase in sales per square foot to $196.82 during 1982.



Safety pioneer honored

Abe Plough, 91-year-old founder of Plough Inc., inspects one of the first safety caps his company developed for St. Joseph Aspirin for children in 1958. Plough was recently honored by the U.S. Consumer Product Safety Commission's "first award to an individual" for bringing the safety cap to market 12 years before it was required by law.

Ariz. Rx Board gets 2 members

PHOENIX—Simon J. Eisenberg was appointed to a five-year term on the Arizona State Board of Pharmacy, and Adaline C. Pangrazi was named to a four-year term as a lay member.

Eisenberg is a Walgreens pharmacy supervisor who received his pharmacy degree in 1957 from the Philadelphia College of Pharmacy and Science.

Pangrazi is active in the Senior Citizens Council of Maricopa County.

CROWD CAPS
63, 63, 63, 63, 63, 63,
IT'S A PAGE

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PHARMACY

Special report on eye & lens care products

Typical eye product user: young working female

NEW YORK—When a retailer sets up an OTC eye and lens care display, who should he bear in mind?

The answer is a female between the ages of 25 and 34, who is a high school graduate, married, employed full-time and who has a household income of at least $25,000, according to a report by the Simmons Market Research Bureau. The report was based on a 1982 survey of the product's users.

The survey showed that women, accounting for 55% of all use, were more likely than men to use the products.

The typical age for users of the product was between 25 and 34, although use was evenly spread across the remaining age groups as well. (Only adults were considered in this analysis, so the youngest user was 18 years old.)

Of the eye care product users surveyed—161,656 people—40% were high school graduates and another 15% graduated from college.

Though the majority of users were employed full-time (52%), a large portion (40%) were not employed.

Most respondents were married (63%), and the remaining 37% were split between being single and divorced.

The average household income was above $25,000 for 37% of those surveyed and below that level for 63%.

Approximately 30% of the survey group considered themselves heavy users. Women accounted for 60% of this category, and consumers in the 25- to 54-year-old category made up of 48%.

The heavy user group also was dominated by people who were employed full-time (47% of all users). Married people accounted for 59% of such users, and 30% had children.

Household income tended to be lower for heavy users than for the total group of eye care product users.

For medium users, demographic characteristics closely parallel those of the total users group. They represent about 29% of all eye care consumers.

Customers whose use of eye care products is described as "light" account for 42% of all users and they also closely resemble the typical consumer in the total use group. The income and educational levels in the light user group are slightly higher than for both heavy and medium users.

Exceeding $100 million in drug store sales, lens care products are generating even more interest because advancements in contact lens technology are opening the category to more and more consumers.

Contact lens market by company

Company	'82 Market share	'81 Market share	% change in $ sales 82/81
Soft lens care			
Allergan	34	33	+ 40
Bausch & Lomb	33	34	+ 33
Alcon/bp	20	25	+ 12
Cooper	9	5	+150
Barnes-Hind	4	3	+ 52
Total category	100	100	+ 37
Hard lens care			
Allergan	38	37	+ 15
Barnes-Hind	37	40	+ 5
Alcon/bp	19	18	+ 17
Cooper	4	4	+ 34
Pfizer	2	1	+ 23
Total category	100	100	+ 12

Source: Manufacturer interpretation of Independent Audit of Drug Warehouse data

Cosmetically yours,
Faye Brookman
Read her column in this issue's CSA Merchandiser

CROWD CAPS
FOR INFO, SEE INFO PAGE 63

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DRUG STORE NEWS
CHAIN STORE AGE
MERCHANDISER

Chain drug stores managed to produce almost a 9% sales gain in cosmetics during 1982. The outlook for 1983 is even rosier.

Conjuring up a fashion image

Cosmetics magic reappears

By Faye Brookman

The excitement is coming back to the cosmetics department. Once on the verge of becoming a commodity business, cosmetics in many chain drug stores are receiving a fashion treatment reminiscent of the earlier glamour days of the business.

Moves by several chains illustrate this renaissance, and it is evident that many feel it is time to inject more magic into the department. For example:

—Eckerd Drug has named its department Encounters, and this theme is used in all cosmetics advertising. By setting the department off with an image, Eckerd wants to tell shoppers that they are buying items in a specialty outlet rather than in "just" a drug store. Eckerd has a new prototype that also reflects its intentions to upgrade.

—Walgreens' buyer Milt Shaw reports that the chains "absolutely" continuing its plans to upgrade cosmetics. The chain has invested heavily into training personnel, and a beauty consultant is located in every store.

—At Gray Drug Fair's new Drug Fair prototype, cosmetics are given royal treatment. Colorful banners announce the cosmetics department to shoppers and feature the names of the brands carried at the store. The banners carry prestigious labels such as Ricci and Chanel as well as traditional drug brands including Max Factor and Coty.

In all three examples, the message to the customers is that drug stores offer the selection and the products they want. The image chains want to convey is that they have been able to secure brands that were once only sold via other outlets.

Indeed, one of the best draws has been the designer brand fragrances.

Today, it is not uncommon to find the local chain shelves chock full of expensive fragrances such as Opium, Oscar, Halston and Dior.

The channels to obtain these fragrances have been unclogged, and drug chains have been able to secure enough product to keep their best stores in stock. In fact, most chains say it is easier than ever to get designer brands.

"There's no denying it," confirmed Hook's buyer Helen James, "there are now more opportunities to get prestige brands."

Will upper-end cosmetics be next? While Eckerd and Longs remain the only chains to have a direct source with Elizabeth Arden, other chains keep hoping to persuade prestige brands that drug stores won't tar-

Continued on page 18

FOCUS ON COSMETICS

Putting magic back in cosmetics

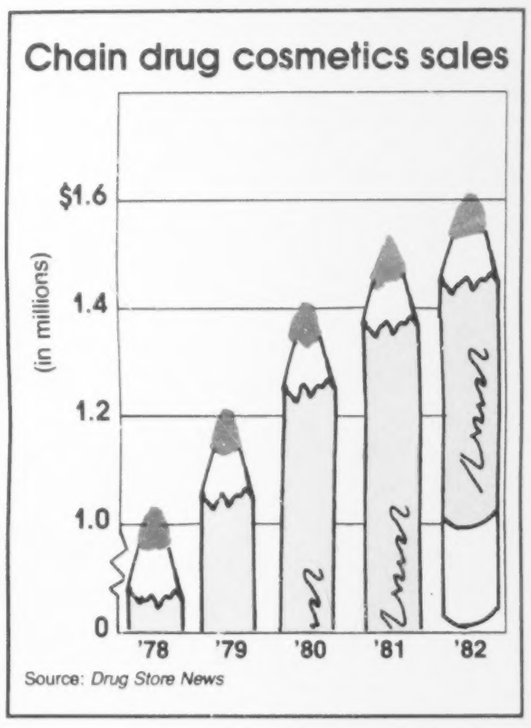
(Continued from page 17)

nish their image. Ultima and Lancome have shown up in many chains, yet buyers shy away from going to diverters to secure these lines.

"If you can't warehouse the items and guarantee stock for the stores, you shouldn't carry the goods," explained one buyer. She reasoned that if a shopper visits the store and can't find a full selection, she'll go elsewhere.

The only case where these brands have been successful without being purchased directly is the deep-discount stores. In these outlets, however, shoppers expect that they may have to sacrifice selection for price.

Why are chains so interested in improving the mix? There are many reasons, including the fact the more women now work and therefore frequent department stores less frequently. As a result, drug stores are attracting a new shopper, one that is willing to shop an alternative outlet as long as she feels she is getting quality and value.



Census reports reveal that 49% of America's mothers with children under six are employed (compared with only 18% in 1960). These women used to spend much spare time shopping. Now that they work, spare time has gone out the window.

"As a result," explained Bob Bolger, president of the National Association of Chain Drug Stores, "drug chains are on their way toward becoming the primary outlet in this country for cosmetics, and to a lesser extent, fragrances."

Indeed, cosmetics in drug stores are one of the healthiest categories, while the cosmetics sales in department stores are fading. Overall cosmetics sales for 1982 were said to be flat or even down 1% to 2%, with department stores feeling the strongest effect of a lackluster market. According to the U.S. Department of Commerce, 1982 cosmetics dollar volume increased 1.8% to $10.3 billion. Although sales have risen, the profit picture has not been encouraging, and most marketers don't expect a turnaround until late 1983 or 1984. The problem the category faced was maturity—growth just couldn't measure up to the earlier go-go years.

The chain drug store, however, has been able to fatten both its sales and profits by snaring shoppers from department stores. Upgrading and improving the mix has pushed up sales, and computerized ordering and tracking of sales has boosted chain profits. In 1982, chains were able to realize almost a 9% gain in cosmetics (including fragrance) volume. Sales totaled $1.6 billion, and the category contributed almost 6% of total chain sales of $28.66 billion.

However, drug stores do face a formidable competitor: Food stores, especially the sleek combination stores that are popping up all over the country. According to A. C. Nielsen, food stores captured a 16% share of cosmetics sales last year (Nielsen tracks sales of mascaras, eye shadows, lip makeups, nail polish and liquid facial makeups in mass merchants, drug and food outlets). Since 1978 food stores have increased their share by six percentage points. In 1978, drug stores accounted for 71% of sales, mass merchants 19% and food stores 10%. In 1982, drug stores garnered 64%, mass merchants 19.8% and food stores 16%.

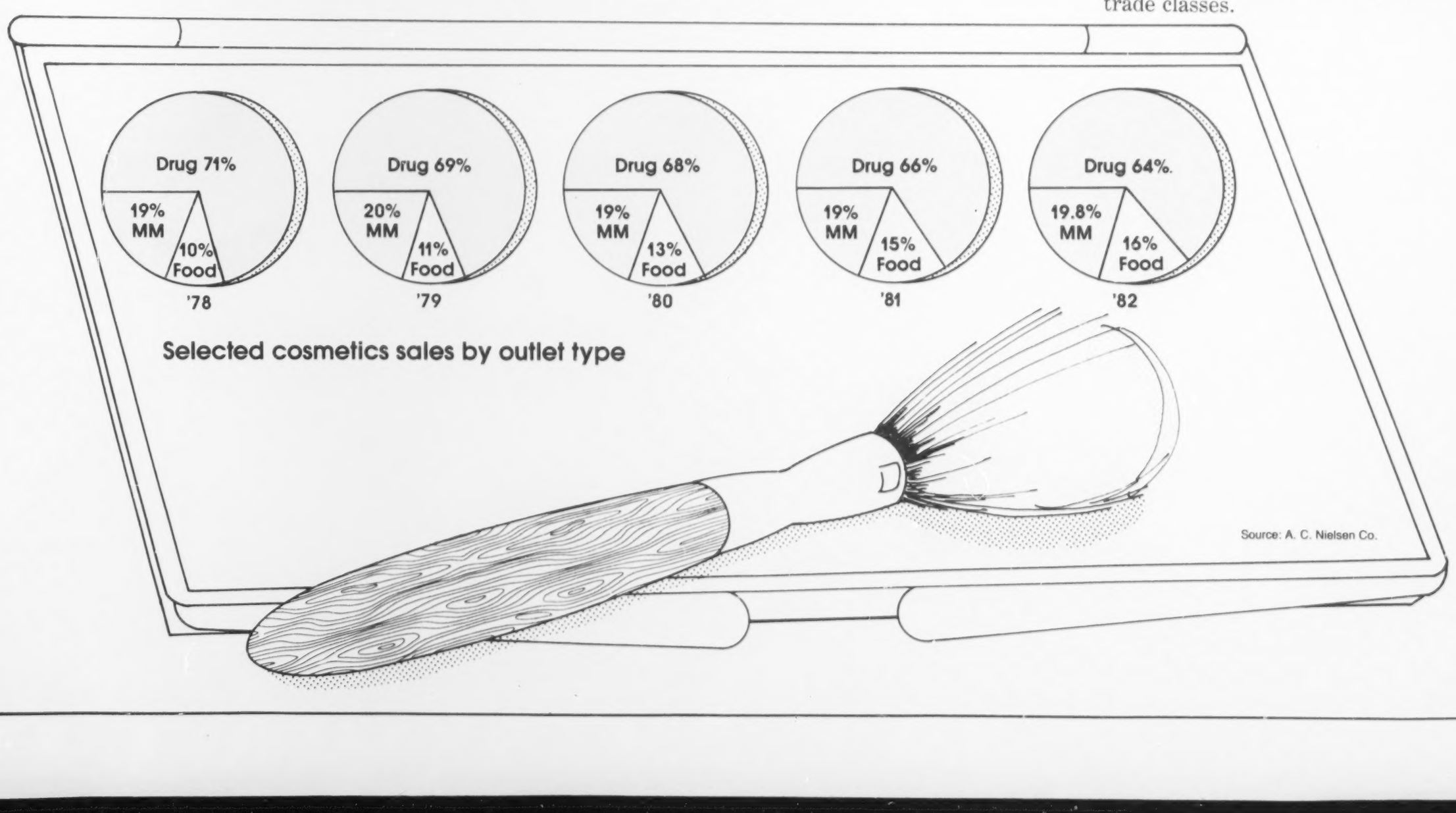
The majority of the growth of food stores stems from the combo operators who have been able to separate cosmetics from food in their stores. In fact, major manufacturers who refuse to distribute to food stores do admit that they seek distribution in the combo stores because they do such a great presentation with cosmetics.

According to the U.S. Commerce Department, cosmetics dollar volume rose only 1.8% to $10.3 billion in 1982. Chain drug stores, however, produced a sales increase of almost 9% by packing some punch into the merchandise presentation.

These stores are admired by the drug trade. Eckerd's Susan Engle, for example, likes the look of the Tom Thumb/Page combos in Texas. Others mention Kroger, which has opened combo stores with cosmetics sections featuring cosmeticians. These departments sport a fashion ambience that makes shoppers unaware that lettuce is only two aisles away.

There are, however, those who feel these operations can't cope with the many problems of selling cosmetics. One buyer explained, "They don't understand the business and often can't offer a broad and deep assortment—they just can't support it."

For cosmetics buyers and merchandisers the bottom line is that as long as chains treat cosmetics the way it should be treated—a business built on dreams and glamour—the business is not threatened by other trade classes.



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CHAIN STORE AGE
MERCHANDISER

Cough/cold OTCs to vie for space—page 39

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DRUG STORE NEWS

Vol. 5 No. 14/Incorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./June 27, 1983

Genovese's new activewear test:
Cross merchandising warm-up, jogging and leisure wear with sports medicine, game supplies and outdoor equipment.

Genovese units sport new activewear depts.

MELVILLE, N.Y.—Lee and Levis blue jeans; Adidas sportswear, and Puma, Converse and Adidas athletic shoes are among the major brand names featured in new activewear departments being tested in four Long Island, N.Y., Genovese drug stores.

The four departments, which range from 36 to 46 linear feet, are being supplied and serviced by a Long Island jobber. Besides a limited selection of blue jeans, they contain nearly 20 feet of running and court shoes and a 20-ft. "unisex" assortment of warm-ups, jogging shorts, T-shirts and jackets. Both the shoe and clothing departments will operate on a self-service basis.

"Everybody is wearing activewear today," said Owen Rees, Genovese's general merchandise manager. "We thought we'd give it a try, especially in light of the opportunities it offers for cross merchandising products we already sell."

Rees said tennis balls, basketballs and footballs, as well as crew socks, athletic supporters and foot care products will be

Continued on page 48

J&J offering Rx services at new home health centers

NEW YORK—At-home pharmacy services will be just one element of a comprehensive home health care program launched recently by a new subsidiary of the Johnson & Johnson Co., Louis G. Marks told an audience of health care products manufacturers here earlier this month.

"We are developing a unique approach to home health care that fulfills a need in the marketplace," Marks, president of J & J's new Home Health Care division said in a message to 150 persons attending Frost & Sullivan's third annual conference on the Home/Self Health Care Market.

Marks said J & J's new venture grew out of the company's interest in expanding into markets beyond the traditional niche for its medical products—the short-term general hospital. J & J has already opened large Home Health Care Centers, containing pharmacies in Dallas, Houston and Long Beach, Calif. By late 1984, up to 30 centers are expected to be in operation.

Marks cited several factors that are fueling the rapid growth of the home health care market, including:

A willingness by consumers to pay for the right to convalesce in the privacy and comfort of their homes rather than in institutions.

—A national emphasis on containing health care costs, which at present growth rates, will reach 11% of the nation's GNP by 1990, exceeding projected expenditures for the nation's defense.

—A favorable reaction by

Continued on page 47

... as chains access impact

NEW YORK—Despite assurances from Johnson & Johnson, some drug chains fear the new J&J venture—retail home health care centers with 24-hour pharmacies—will threaten their home health care investments.

A spokesman for a chain that has recently made a major commitment to home health care said the chain management is skeptical about J&J's contention that it will not compete with chain business.

"The J&J management guaranteed us that they would not take more than 2% of our business and would not compete with our pharmacies or home health centers. And if you believe that, I have some great oil property in the Everglades I can sell you."

James Caldwell, an assistant vp who heads up Hook Drugs' health care services, said, "It does not make me particularly happy to see manufacturers getting into business and competing, but it can be anticipated. Honestly, I don't know how it can be avoided."

Continued on page 47

Arbor touts 'deep deep' discounts

By Faye Brookman

DEARBORN, Mich.—To protect its share of a market shaken up by more and more deep discount operations, Arbor Drug has taken on what it calls a "deep deep discount" image.

Arbor, which operates 29 stores that generated an estimated $60 million in sales last year, has focused its discount efforts on two core departments: Cosmetics (prices down about 20%) and health and beauty aids (down as much as 40%).

Observers of the highly competitive southeast Michigan market say, however, that the second "deep" seems to be a bit of advertising hype that is not justified by price comparisons with other deep discounters.

Arbor's newest unit, located in a former Kroger outlet in Wyandotte, Mich., clearly illustrates the chain's efforts to change its price image, which had been in line with that of conventional drug chains.

In that store, Arbor's traditional blue and orange color scheme has been replaced by generic-looking black and yellow, and an uncluttered look has been altered by 20-ft. banners proclaiming cosmetic and H&BA savings.

A few traditional mainstays of deep discounters, such as long gondola runs of trial sizes, have also been copied in this new outlet. To generate traffic in its new store, Arbor has added a large selection of sharply priced frozen food items, which are contained in a 24-ft. run.

Although the new store is the only one that has been phys-

Continued on page 48

LATE NEWS

THE FORMER CHAIRMAN of the Cunningham Drug chain and the former chairman and president of Peoples Drug have formed a new company to operate 53 stores that had been operated by the resort, office building and hotel division of Cunningham Drug Stores Inc. Ray A. Shapero, former chairman of Cunningham, is the chairman and ceo of the privately held Quael Corp., which also has acquired 13 specialty shops that had been owned by the Stouffer Hotel Co.

The other major principal in the new Detroit-based company is William E. Pannill, who had been a Peoples executive and now operates the Cavalier Drug chain of Virginia. C. D. Holding, which sold the 53 units to Quael, continues to operate the 20-store Cunningham Drug chain.

Older units to be done first

Longs gives cosmetics 'dept. store'-style facelift

WALNUT CREEK, Calif.—Longs Drug Stores is converting its cosmetics departments to conform to a new layout designed to impart a "department store look."

By the end of 1983, a fair percentage of the chain's cosmetics departments will have been converted. Longs is giving priority to its older stores in the conversion timetable.

Highlights of the program include the following.

—Spinner racks have been eliminated. Instead, pegged cosmetics have been cut into an 80-ft. wall, including an 8-ft. "L." All but 28 feet of the wall contains pegged merchandise. Reserve stock is still kept in the overhead compartments.

—A glass showcase in the center of the department has been cut back to an open 10-ft. fixture for promotional merchandise. The fixture has two 4-ft. ends, one containing high-ticket fragrances that are glass-enclosed. The other end is used for the departmental register.

—Fragrances and treatment lines are now stocked on 2-ft. by 4-ft. fixtures (five to seven of them, depending on the length of the front gondola). The fixtures, which lead into the department from the entry concourse, are angled.

—Two 2-ft. by 4-ft. overhead color photos—supplied by Revlon and changed periodically—add a touch of high-fashion.

The net effect is a long, clean department with an uncluttered walk-through area that is fully stocked and has an upscale aura.

Longs new "department store look" includes angled fixtures for fragrances and treatment lines.

Chains battle for share of Dallas-area market

DALLAS—Eckerd has displaced Revco as Dallas' leading prescription chain, while Tom Thumb/Page has moved aside Eckerd to take control of that metropolitan area's nonprescription drug market, according to the latest survey by the *Dallas Times Herald*.

The market shares are determined annually by 4,000 consumer telephone interviews. Kirby Marketing Research conducted the survey for the newspaper.

In the prescription drugs category, Eckerd has steadily chipped away at the market leader, which was Skillern until the stores were acquired by Revco in 1980.

Eckerd's share increased from 18.1% in 1979 to 18.3%, before dipping to 17% in 1981 and finishing 1982 with 17.6%.

Skillern held a 20% share in 1979, a percentage that dipped to 18.3% in 1980, followed by 17.4% in 1981 and 14.7% in 1982. Revco has operated the stores for the past two years.

Tom Thumb/Page finished as the third leading prescription dispenser, with 10.9% of the market in 1982, up from 10.5% in 1981 and 8.5% in 1980. The Dallas-based food/drug retailer has been the third leading prescription filler since 1981.

Skaggs Alpha Beta finished fourth last year with 7.3% of the market.

After Skaggs Alpha Beta, none of the other chains surveyed had more than 2.5% of the market. Safeway, with 2.4% of the prescription market, has tripled its market share in three years.

The survey indicated the consumer group with the highest median income, $30,100, tended to buy its prescriptions at Skaggs Alpha Beta, and the group with the second highest median income tended to shop at Tom Thumb/Page.

In the nonprescription drug category, Tom Thumb/Page finished 1982 with 18.4% of the market, up from 15.8% in 1981.

The second leading chain in this area in 1982 was Eckerd with 15.1% of the market. Eckerd had been the market leader in 1981 with 15.8%.

Tom Thumb/Page had come from fourth place in 1979 with 11.5% of the nonprescription drug market to take the lead.

Since 1979, Eckerd, Skaggs Alpha Beta and Skillern (later owned by Revco) steadily lost market share to Tom Thumb/Page.

Also steadily gaining over the period were Safeway, Kroger and K mart.

'No Frills' line to debut at SDM

TORONTO—Canadian consumers will save up to 40% when buying items in a new line of no-name, no-frills generic products introduced this month in 400 Shoppers Drug Mart stores across Canada.

The 20 health and beauty aids, household and paper products in the Red Saver line will be merchandised with their own signage in 8-ft. or 16-ft. sections of all Canadian SDM stores. Separate television and newspaper advertising has been scheduled to introduce the products to consumers.

"Our research shows that many consumers are willing to forego certain frills in exchange for a better price," SDM president David Bloom said at a Toronto press conference announcing the Red Saver line's debut. "By frills, I mean fragrances and other ingredients that make one shampoo different from another. Many people today just want their family to have clean, healthy hair," he continued.

The Red Saver line, including baby shampoo and powder, fluoride toothpaste, petroleum jelly, plastic strips, paper towels, diapers, all purpose cleaner, dish detergent, garbage and sandwich bags, furniture polish, scouring pads and aluminum foil, is being supplied by a number of Canadian manufacturers, including several firms that produce SDM's "Life" and "Shoppers Drug Mart" brand private label products.

Roman Niemy, president of SDM's burgeoning corporate brand division, said a series of focus group interviews with male and female consumers in Vancouver, Toronto and Montreal showed that SDM customers would react favorably to no-frills products.

"Up until now generics have always been a food store phenomenon," Niemy said. "We needed to find out first if it was still a viable concept, and second, if it would work in drug stores."

Results of the focus group studies, as well as SAMI data on the generic sales in the United States and input from A. C. Nielsen's Canadian arm, answered both questions affirmatively, he said. A. C. Nielsen estimates that annual sales of no-frills products in Canadian food stores now exceed $500 million, and are growing at a rate of 20% per year, he added.

"The 20 sku's we have selected are what we consider to be sure winners," Niemy continued. "The quality is there and the price is there." Each Red Saver item, he pointed out, is clearly marked with a money-back guarantee on satisfaction.

Shelf talkers, mobiles, balloons and buttons, each in the bright red and yellow colors selected for the no-frills packages, will be used to support the line's introduction at store level. In addition, a 2½-minute video presentation will be continually aired on television monitors, which have recently been installed in all Shoppers Drug Mart stores.

New caps for Tylenol, Sine-Aid may cause delays in shipping

WASHINGTON—McNeil's abrupt marketing suspension of 24-tablet adult-size Tylenol and Sine-Aid should not create any major market disruptions for drug stores, company officials told *Drug Store News*.

But the drug manufacturer did acknowledge that the action will almost certainly result in "some delay in supplying the products to retailers."

McNeil's voluntary suspension of the manufacture and shipment of its adult Tylenol regular strength tablet and Sine-Aid earlier this month was prompted by Consumer Product Safety Commission concerns that new tamper-resistant containers "may affect the integrity of child-resistant packaging."

Specifically the commission said that "preliminary protocol testing" of "24-tablet adult-size Tylenol, suggested that the company's new tamper-resistant "packaging made it easier for some children to remove the caps on this one size."

McNeil is voluntarily retooling the caps on both products to "improve child resistance," officials at the firm told *DrSN*. At presstime the drug manufacturer had no timetable for completing the conversion, but noted that the change "was minor" and probably would "not take long to make."

McNeil stressed that the action is not a "recall" and that pharmacists and other retailers may sell all remaining stocks of the noncomplying OTC's.

While C.P.S.C. and McNeil emphasized that the temporary marketing withdrawal was not prompted by an ingredient safety concern, the action does come at an inopportune time for the company which is trying to overcome the effects of adverse publicity stemming from last year's Tylenol scare.

According to the commission, "data and clinical experience indicate that the hazard to children associated with accidental ingestion of the acetaminophen contained in this product is low."

Even though C.P.S.C.'s notice to McNeil only applies to 4% of the company's sales, it could be the first in a wave of agency actions affecting the supply of over-the-counter drugs in the coming months.

The commission is currently conducting an intensive review of OTC tamper-resistant containers to ensure compliance with "Federal regulations requiring that certain products be child-resistant."

Although all McNeil OTC tamper-resistant packages were checked thoroughly by C.P.S.C., only 24-tablet adult-size Tylenol and Sine-Aid were found to be in noncompliance with the child-resistant requirements, agency officials noted.

However, the finding will probably prompt investigators to "intensify" their "broad scale survey and testing program" of other manufacturers' OTC tamper-resistant products, C.P.S.C. officials told *DrSN*.

While the program is sponsored by C.P.S.C., the commission will "be working with the affected industries, the closure manufacturers' association, the proprietary drug manufacturers association and the Food and Drug Administration, to ensure appropriate quality control measures are taken and tests conducted," they added.

Hook appoints Rx task force

INDIANAPOLIS—A Pharmacy Productivity Task Force has been appointed at Hook Drug Stores to eliminate unnecessary and time-consuming store procedures and, in turn, to improve overall store productivity.

"It's only minutes that we are trying to save," said Hooks assistant vp for operations Phil Ferro, head of the task force. "But minutes do add up," he continued. "There have got to be simpler and easier ways to do things in the stores on a regular basis."

The task force is only one ingredient in Hooks' president J. Douglas Reeves' "Presidential Plan for the Year," announced at the company's recent annual meeting.

Store managers and district coordinators, who also serve on the task force, will be asking users of Hook's administrative systems how those systems can be improved.

The productivity patrol has already begun gathering input from store personnel and will evaluate the findings in the next few months.

Said Ferro: "We're looking at the pharmacy setup and the actual steps it takes to fill a prescription. We're watching the prescription as it comes from the patient and how it is handled until it gets back to that customer.

"The aim is to evaluate and improve total store productivity, so we're also watching other departments, too.

The task force evaluation will be based on reports by store managers and the district coordinators. The goal, according to Ferro, is to find out how each manager handles his store, work out a model system and spread the word.

"We expect no 'big deal' ideas to come out of this, but at least our efforts will strengthen communications with our managers," Ferro said. "Any way we can save minutes, which may add up to hours, is what we're looking for."

— News in brief —

American promotes LaRock

SALT LAKE CITY—American Stores has named Larry LaRock president of its Rea and Derick division. LaRock was made vp and general manager at Rea and Derick one year ago after working for 21 years at the Skaggs Cos. First-quarter net earnings at American Stores was $21.9 million, up 32% for the equivalent quarter last year. Sales for the quarter ended April 30 were $1.88 billion, up 2.7%. Same store sales increased 5.4%. The company is operating 94 fewer retail outlets than last year.

Antiulcer drug gets conditional O.K.

WASHINGTON—Glaxo's competitive histamine H_2-receptor antagonist, rantitidine HC1 (Zantac), has received final F.D.A. approval for marketing June 9. According to Glaxo, the prescription antiulcer medication should be on pharmacy shelves by mid-July.

A conditional F.D.A. approval, specifying further testing requirements and the need for continuous monitoring of adverse effects of the drug, came in the wake of two recent F.D.A. approval decisions on other drugs, Oraflex and Zomax.

May drug store sales rise 0.5%

WASHINGTON—Drug store sales for May increased approximately 0.5% to $3.14 billion, up from $3.12 billion for April 1983, according to preliminary unadjusted figures from the U.S. Commerce Department.

Although the May 1983 figure was 7.3% better than the $2.93 billion posted for May 1982, the gain from April 1983 to May 1983 did not match the increase experienced by all retailers over the same period.

Preliminary unadjusted sales figures for all retailers indicated a 2.9% increase from April 1983 to May 1983.

Perry announces stock offering

PONTIAC, Mich.—Perry Drug Stores reported that it has registered with the Securities and Exchange Commission to offer 900,000 shares of common stock, of which 100,000 will be sold by shareholders. Prudential-Bache is the underwriter for the offering. The company also reported that upon completion of the offering, Perry intends to split its stock 3 for 2 in the form of a 50% stock distribution.

Cade elected to national Rx post

DEERFIELD, Ill.—Henry Cade, R.Ph., manager of public affairs and professional relations for Walgreens, has been elected to the Executive Committee of the National Association of Boards of Pharmacy.

Cade will serve a three-year term on the governing board of this association, whose purpose is to maintain a system of reciprocity between the individual state boards of pharmacy.

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Vol. 5, No. 14 June 27, 1983

PHARMACY

Ford's Rx mail-order plan benign, chains say

By Mary Christian

DEARBORN, Mich.—The Ford Motor Company has rejected proposals from Detroit-area chains on exclusive provider prescription plans and has accepted instead, a new mail-order Rx option effective July 1.

The new plan, affecting some 160,000 employees, will be promoted through special discounted copays to the Ford employees.

The program could have serious national implications, but Perry's Bob Shapiro, vp of professional affairs, said, "I don't think a whole lot of people will take advantage of the service with the uncertainty of the mail and lack of personal contact with their pharmacist."

This feeling was echoed by Jack Huston, director of professional relations at Grand Rapids-based Muir Drugs Stores. "I don't anticipate that customers (Ford Motor Company people) will avail themselves of the mail-order prescription services to any great extent."

Both men noted that previous mail-prescription programs in their area, such as PAID and the Teachers Association plans, were not successful.

The key to the Ford plan is its monetary incentive to patients. According to a Ford spokesman, the mail-order program will be an extension of the prescription plan now available, and will largely be limited to maintenance drugs filled on a regular basis. Employees will be able to chose which plan they would prefer to use with each new script.

Ford signed an agreement with John Hancock, who is purchasing the plan's prescription services from Health Care Services (HCS) in Chester, Pa.

Price decrease

Ford is encouraging the use of the new program because "it will lower out-of-pocket costs to the employees and to the company." Patients' costs will be lowered in two ways, according to Ford: (1) The copay for mail-order prescriptions will be $1 less than in the other plan—$2 instead of the $3 now charged—and (2) the quantity of drugs available to the patient on each script will be increased from a one-month supply (available through the pharmacy) to a three-month supply available by mail.

"This will result in an average $7 savings to the customer on prescription costs each time they use the mail-order program," the Ford spokesman said.

Yet Muir's Huston still feels customers will not take advantage of the mail-order option in any great numbers

Shapiro added that mail-order programs are generally successful in areas "where people can't get out or don't have the access to local services.

In a related incident, the Chrysler Corporation is now considering alternate means of prescription service coverage for employees in the southeastern Michigan area.

Chrysler is now investigating three programs: (1) a preferred provider program which would include an exclusive arrangement with one chain drug company, (2) a multisource preferred provider network or (3) a nonpreferred provider alternative. The final decision will be made and a program in place by the firm's next contract negotiation, Jan. 14, 1984.

Erythromycin margins remain stable

ARLINGTON, Tex.—Retailers' margins remained at 39% for erythromycin and tetracycline scripts dispensed from pharmacies during February 1983.

Margins have stabilized over the past 14 months after sliding from the 50% level in 1980.

In addition, consumer prices for some of the leading products declined, giving consumers further relief from inflation.

These conclusions by Decision Data are based on information gathered from 1,000 pharmacies during February 1983. The current market's stability is the result of two offsetting factors: Growth in retailers' margins for the top 25 most frequently prescribed products vs. an 11-point decline in the "all other" category.

Pharmacies reported significant margin gains for Erythrocin tabs 250mg (up 10 points), Erythromycin BA Filmtabs 250mg (up 15 points), and Panmycin Caps 250mg (up 10 points).

Above average margin percentages were noted for 500mg and 250mg Achromycin V Caps, Sumycin Caps 250mg, tetracycline caps 250mg from Parke Davis, Wyeth, and SKF, as well as "generic" forms of tetracycline 250mg. The 250mg strength of Erythrocin, Erythromycin BA Filmtabs, and multisource erythromycin also scored above average margins.

The average retail price of an erythromycin/tetracycline script within the top 25 amounted to $8.64, a decline of almost 50¢ compared to prices reported in December 1981. But since the average retail

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Erythromycin/tetracycline market trends December 1981 to February 1983

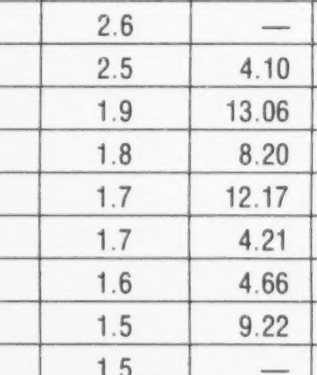
Drug description	Manufacturer	% Retail market share Rxs 12/81	% Retail market share Rxs 2/83	Average Price/Rx 12/81	Average Price/Rx 2/83	% Retail Margin* 12/81	% Retail Margin* 2/83
E.E.S. Tab 400	Abbott	10.6%	11.8%	$ 8.71	$ 9.45	41%	40%
E-Mycin Tab 250mg	Upjohn	7.0	5.7	8.49	8.38	37	39
E-Mycin Tab 333mg	Upjohn	3.0	5.5	9.00	8.96	38	41
Achromycin V Cap 250mg	Lederle	5.4	4.9	4.70	4.68	63	66
Eryc Cap 250mg	Parke Davis	2.2	4.3	9.53	9.76	38	39
E.E.S. Liq. 200	Abbott	3.9	4.1	8.43	8.51	43	43
Vibramycin Cap 100mg	Pfizer	5.7	3.8	17.58	19.45	23	22
Vibratabs 100mg	Pfizer	3.8	3.6	17.60	18.82	23	23
Erythrocin Filmtab 250mg	Abbott	3.3	3.3	6.74	6.05	49	59
Erythromycin BA Filmtab 250mg	Abbott	3.3	3.2	6.76	5.88	44	59
Sumycin Cap 250mg	Squibb	3.2	3.0	5.20	5.17	59	62
Tetracycline Cap 250mg	Parke Davis	3.9	2.9	4.68	4.87	66	66
Tetracycline 500mg	Generic**	—	2.6	—	6.16	—	48
Tetracycline 250mg	Generic**	2.2	2.5	4.10	4.51	73	70
Ilosone Liquid 250mg	Dista	1.8	1.9	13.06	14.09	31	31
Ilosone Liquid 125mg	Dista	2.2	1.8	8.20	8.95	44	43
E.E.S. Liquid 400	Abbott	1.3	1.7	12.17	11.96	32	34
SK Tetracycline Cap 250mg	SKF	2.9	1.7	4.21	4.36	73	74
Panmycin Cap 250mg	Upjohn	1.6	1.6	4.66	4.77	52	62
Ilosone Pulvules 250mg	Dista	1.6	1.5	9.22	9.83	40	39
Erythromycin Tab 250mg	Generic**	—	1.5	—	7.50	—	56
Achromycin V Cap 500mg	Lederle	1.3	1.4	6.21	5.80	51	54
Erythromycin Tab 500mg	Generic**	—	1.4	—	8.54	—	41
Tetracycline Cap 250mg	Wyeth	2.5	1.4	4.72	4.92	71	68
Erythromycin Tab 250mg	Parke Davis	2.3	1.3	6.46	7.24	48	44
Top 25		79.9	78.4	9.15	8.64	37	41
All other		20.1	21.6	7.61	13.17	46	35
Total		100.0	100.0	8.84	9.58	39	39

*Per cent retail margins are based on average wholesale prices.
**Includes scripts filled with other than nationally promoted brands of erythromycin and tetracycline.

Source: Decision Data

Pharmacists speaking out against Medicaid regulations

Joseph Caputo, RPh
Pharmaceutical Editor



"What's yours is yours, and what's mine is yours" . . . so said Marily Rhudy, pharmacy owner from Topeka, Kan., in addressing a meeting of state Medicaid administrators in Nashville.

She was referring to the tendency of Government bureaucrats to demand more and more givebacks from the profession to keep their state health programs on budget. Now, it seems, there's nothing left to give.

Individual pharmacists are not the only ones from whom state administrators and H.C.F.A. officials are catching heat. The American Pharmaceutical Association and the National Wholesale Druggists Association, for example, have combined forces in an effort to eliminate the Federal Maximum Allowable Cost (MAC) program.

But Medicaid officials took the brunt of Rhudy's heated comments. She claimed state health officials have remedied their budget shortfalls at the expense of pharmacies participating in the program.

H.C.F.A. also came under fire from Rhudy. She said the agency should stop picking the pockets of pharmacists for the sake of other vendors in the Medicaid program.

Now that pharmacy is beginning to recognize the importance of adequate reimbursement for services rendered—be it services to the state or to private patients—another point should be mentioned.

Before seeking broader responsibilities, such as the right to dispense pharmaceutical alternatives or to substitute therapeutical alternatives, organized pharmacy must find out what the payoff is for the patient and for the profession.

Governmental administrators definitely understand the tradeoffs necessary to attain their goals. Let's hope organized pharmacy is equal to the task of obtaining its goals. Otherwise, the bureaucrats will once again be in a position to dictate who is doing what for whom, and at what price.

In short, if pharmacists do take on new "responsibilities," they could face a repeat of the fiasco created by drug product selection. The adage that those who don't remember history are destined to relive it seems apt here.

Let's not muff it again. Caution, well thought out positions and solid bargaining are the answers. The alternatives are more of what the profession now faces.

Specifically, she said, inadequate professional fees, escalating operating costs, and high interest rates have combined to force more pharmacies out of the Medicaid program. The result has been an added hardship for Medicaid patients.

These are the same points *Drug Store News* has repeatedly editorialized since the late 1970's.

Another sore point for Rhudy is the Federal M.A.C. program. M.A.C. places a ceiling (determined by H.C.F.A.) on the amount a pharmacy receives for selected multisource prescription drug products. M.A.C. prices are set low, and often products aren't available to pharmacies at the published prices.

Pharmacists then face an unpleasant choice: Either they take a loss on the "cost of ingredients" portion of the Medicaid script, or they refuse to dispense the script. Once again, Medicaid patients lose out.

PHARMACY

Sickroom seminar attracts large turnout

Chains do serious home health shopping

MILWAUKEE—A variety of drug store chains—both pioneers in home health care sales and newcomers to this burgeoning drug store category—were represented at Sickroom Service Inc.'s 16th annual seminar and exhibit, held here recently.

The two-day seminar attracted nearly 1,800 registrants from small, medium and large drug stores chains throughout the United States and Canada, as well as a significant number of independent druggists who serve as Sickroom Service dealers in their communities. Hundreds of health care professionals, including doctors, nurses and physical therapists, also attended the seminar's training workshops to learn more about the equipment, regulations and changing consumer needs in the fast-growing home health care market.

Over 150 manufacturers and distributors of durable and consumable medical supplies set up booths in the Milwaukee Exposition Center to display state-of-the-art home health care products at the conference.

"We were basically out there on a learning mission," said John Hight, vp for professional relations at Big B drug stores, a Birmingham, Ala.-based chain that expects to open its first freestanding home health care center later this year.

"It [home health care] is not a new area for us," Hight said. "But it definitely is something we are considering getting into in a much bigger way." He said Big B's first convalescent aids store will open by late summer in the Birmingham area.

Edward Pelant, director of professional services at Minneapolis-based Snyder Drug stores, said the conference's training seminars on marketing and management were especially helpful as he prepares plans for the opening of Snyder's first home health care center in the Twin Cities area.

"It was very clear after attending a number of these sessions that if you're going to get into this type of operation, you have to have qualified people to run it," he told *Drug Store News*. "It's obvious that this involves a lot more than running a pharmacy."

Pelant described his Milwaukee visit as a "fact-finding" mission for the eventual opening of Snyder's first home health care center.

"We have not opened a home health care center yet," he said. "But we are contemplating putting one in in the near future. There is a lot of opportunity in this business and it appears the independents are certainly getting into it more and more."

Burke McDonald, manager of Begley Drug's four convalescent aids stores in Kentucky, said the conference gave him an "opportunity to look, shop and compare new products" with Begley's existing convalescent aids mix.

However, like several other large chain representatives he described many of the training seminars as too elementary. "Many of the seminars they offered were geared for the independent who has convalescent aids as one segment of his business. For me, they were basically a review," he said. He suggested the show's sponsor develop two levels of training seminars, one for beginners and one for persons who are well-versed in convalescent aids products, services and issues.

Martin Belitz, professional services director at Toronto-based Shoppers Drug Mart, concurred with McDonald.

"The concept was good, but the delivery left me feeling a little short-changed," Belitz said. He too urged Sickroom Service to establish seminars that would address the more specialized needs of small and large chains that already place a heavy emphasis on the home health care category. SDM operates three home health centers in Ontario.

Ray Cadden, supervisor of the home health care departments in nine Rhode Island-based Douglas Drug stores, described the show as "well-run and super planned."

Erythromycin margins remain stable

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price of scripts in the "all other" category advanced by $5.50, script prices for the overall category climbed 75¢ to $9.58.

With a 78% share of all scripts in the category, the top 25 products continue to play a significant role in the market. Erythromycins comprise 49% of the market, tetracyclines total 22%, and the "all other" category amounts to 22%. Vibramycin scripts have the balance.

No single firm has a dominant share of the erythromycin/tetracycline market. During the audit period, Abbott captured 24% of all scripts among the top 25 products dispensed. Upjohn had a 13% share; Parke Davis 9%; Lederle 6%, and Dista 5%.

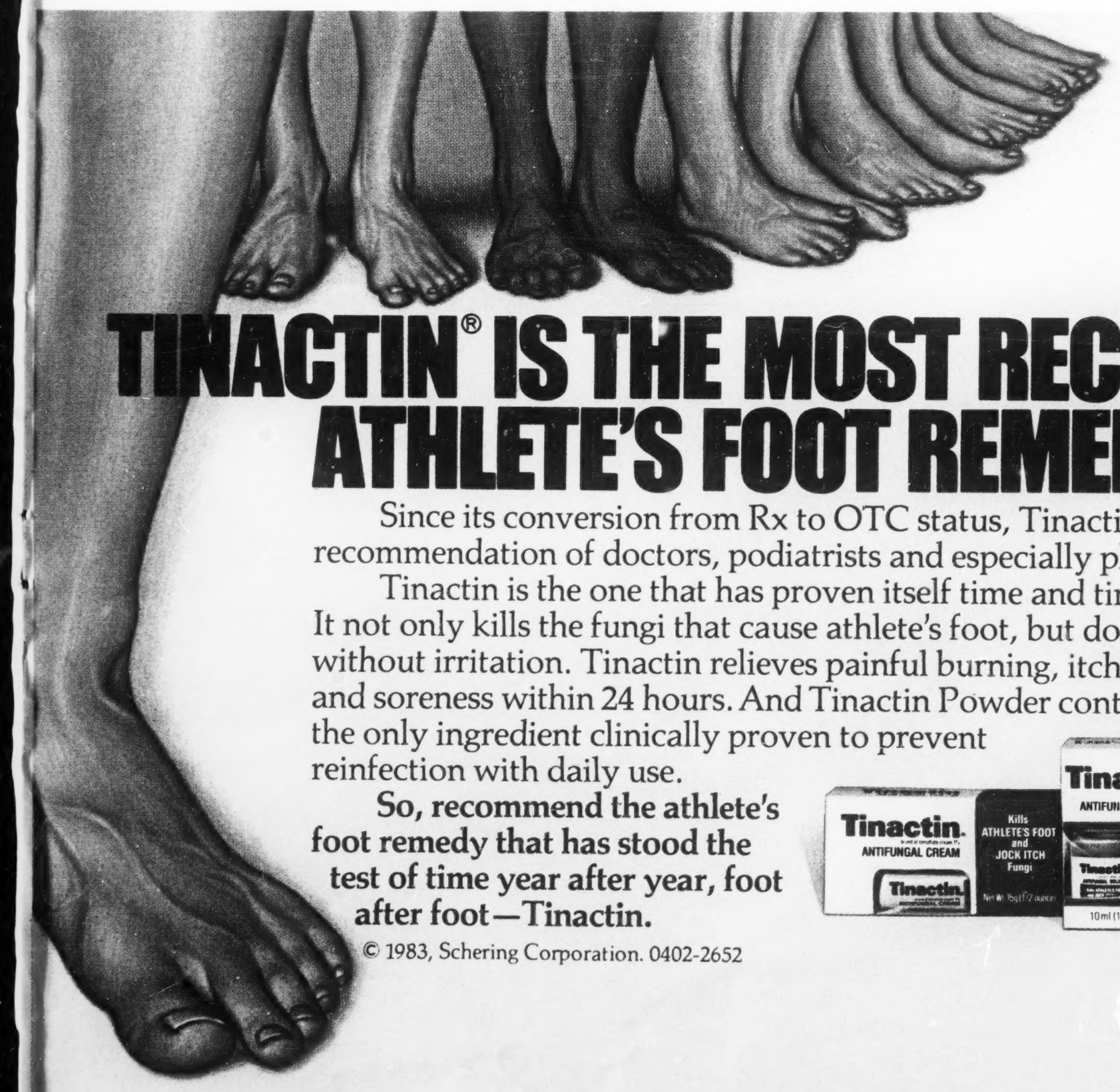
Pfizer chalked up a 7% share on the strength of Vibramycin Caps 100mg and Vibratabs 100mg.

Since no one product predominates in this market and since there's wide availability of multiple-source products, unbranded, lightly promoted drugs play a relatively minor role among the top 25 frequently dispensed erythromycin/tetracycline products.

For example, generic tetracycline scripts accounted for 5% of total script volume in the category. Scripts for unbranded erythromycins totaled 3%. Both percentages are relatively unchanged from previous years.

Low average refill rates indicate the products were predominantly used in acute care situations, as are most antibiotics. When products are used repeatedly, it may signify treatment of acne.

Average quantity prescribed on a typical script remained unchanged for most products in this category. When antibiotics are dispensed in large quantities, 50 or more per script, it usually indicates the product's use for treatment of chronic problems.



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Economic upsurge may spark '84 action

NEW YORK—The barn-burner economy that emerged in the second quarter of this year is not altering expansion plans at the major drug chains this year, but watch out for 1984.

Most chains have their plans for the rest of 1983 in place and running smoothly, but further lowering of interest rates could make more sites available next year as construction steams ahead.

Additional sales and profits already are flowing into the chains at a much faster rate than last year, and executives will soon be pressed for a place to put the extra cash flow.

The U.S. Commerce Department tells part of the story, reporting drug store sales for May were more than 7% better than the figures for May 1982. That continues a trend that has been followed for the entire first half of 1983.

Another part of the story is the rising profits reported by most chains. Since the end of 1982, earnings have been increasing faster than sales.

Peoples Drug in the second quarter increased net earnings 52% while sales increased 15%. At Pay 'n Save, net income for the quarter ended April 30 increased 175% on a sales gain of 12%. Begley's fiscal year ended March 31 with a net income increase of 252%.

There already has been some funneling of the new cash into new projects, such as the Crown Books venture of Thrifty and Dart. But will there be major moves throughout the industry like the acquisition fever of 1981?

Acquisition on hold

Not yet, said Al Towle, president and general manager of Gray Drug Fair.

"Our plans are already in place for this year. "It [the recovery] may affect next year because there will be more sites in the ground," he said.

Although most chain executives are predicting higher-priced acquisition targets next year, at least one chain—Perry—is taking an aggressive stand on acquisitions.

Donald Fox, president and coo of Perry Drug, said his chain is continuing to look at expanding its base of drug

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Shoppers worry less about OTC tampering

Since the introduction of tamper resistant packaging in 1982, consumer concern about safety features has diminished. Examples of the new packaging included the triple safety seal, blister packs, protective cans and shrink wraps.

WASHINGTON—Consumers are less likely to take precautionary steps when buying over-the-counter drugs this year than they were in 1982, according to a new Louis Harris Poll.

Based on a survey of 1,001 consumers, Harris pollsters concluded that 66% of those interviewed are "very concerned" about possible OTC drug tampering and 19% are "somewhat concerned."

While city dwellers (72%) and those with a high school education or less (72%) expressed the most concern, men (55%) and senior citizens (58%) worried the least about nonprescription drug tampering, the pollsters found.

Current concern over the safety of nonprescription drugs was prompted by last year's tampering incidents in which seven people died from cyanide-contaminated Extra-Strength Tylenol capsules.

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Boast high profits, high turns

Stickers heat up toy, card depts.

NEW YORK—Stickers, the latest craze among the country's preteens and teenagers, have become a hot-selling item in the greeting card and toy departments of chain drug stores.

Attracted by margins in the 50% range and a seemingly endless growing demand, drug retailers are increasing their assortment of stickers. The combination of low price points, high volume turnover and big margins have made them an ideal drug store item, many buyers say.

Whether stickers are just a passing fad is anyone's guess. But retailers and manufacturers have been impressed with the explosive growth of the product and its varied uses.

In addition to putting them on just about everything they own including books, toy boxes, bicycles and bulletin boards, kids have now begun collecting and trading stickers. They are also being used as incentives by parents and school teachers.

Some chains began selling stickers two years ago, while others only recently have become convinced of the potential of the market.

Erv Klebosits, Chicago district director of Medicare Glaser, said the chain just introduced a line of stickers in 10 out of 12 stores in Chicago. "We think they will outsell everything in the stationery department right now," said Klebosits.

He said Medicare-Glaser decided to test the stickers from a manufacturer that supplies the chain with two other lines of merchandise. The company, Mark I, manufactures greeting cards and personalized gift wrap as well as scratch 'n sniff and personalized stickers.

Klebosits said the chain teamed up with Mark I earlier this year. Two double spinner displays containing several lines of Mark I greeting cards and personalized wrapping paper were introduced in the stores. The results were encouraging, he said. Both lines moved very well.

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Drug chains are cashing in on the growing demand for the high-margin stickers.

Dart, Thrifty spin off Crown Books

NEW YORK—Dart Drug and Thrifty Drug are spinning off Crown Books into a public company with a 2.5-million-share stock offering at approximately $22 per share.

The offering, which is being underwritten by Prudential Bache, was expected to be made by mid-August.

Each of the drug chains owns 50% of the 130-store discount book chain. Following the offering, each drug chain will retain approximately 34% of the book chain, and the public will own 32%.

Of the $55 million that is expected to be generated by the stock offering, $20 million will be used to open approximately 150 additional stores and $5 million will be used to repay advances from Dart and Thrifty. The balance will be used for working capital and general corporate purposes. Most of the advance money from the two chains had been used for inventories.

Analysts said the offering could inflate the value of the two chains' stocks because a portion of Crown's earnings will be returned to them.

Dart's stock doubled in the month following the release of the prospectus on the chain's Trak Auto spinoff, which turned out to be one of the hottest new issues so far this year.

According to the Crown prospectus, net earnings have soared from $193,000 in 1979 to $865,000 in 1980 to $1.3 million in 1981 to $1.7 million in 1982 and $2.9 million in 1983.

Earnings per share have increased from 4¢ to 53¢ over the same period while sales rose from $6.3 million to $60.7 million.

Since 1979, the chain of 3,000-sq.-ft. stores has grown from 11 to 130 stores. Twenty

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Sav-On scan test, delayed by snags, to start in July

ANAHEIM, Calif.—Sav-On will begin testing its grocery-type checkout scanning system in July instead of May as originally planned.

The 174-unit chain found more time than expected was needed to write a software program because drug store programming is new and more complex than supermarket or general merchandise software.

Sav-On, a division of the Jewel Company, is the first drug chain in the country to develop and finance its own checkout scanning system. Scan tests by five drug chains in Indiana and Massachusetts Revco, Hook, CVS, Peoples and Adams were developed and financed by a Chicago-based market research firm as part of product movement studies.

The IBM scan equipment, which arrived at Sav-On headquarters in January, has been tested at chain headquarters since then. The test store, which has seven checkstands, is 1½ miles from Sav-On headquarters and was selected so it could be closely monitored. Duration of the test is three to four months.

One of the bottlenecks to drug store scanners has been the lack of UPC-coded. About 50% of inventory is coded. Sav-On is converting its private label merchandise (20% of its inventory) to UPC codes, so it will go in with 70% of its total

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White Drug, H&BA chains to form new firm

JAMESTOWN, N.D.—White Drug is being merged with a chain of H&BA stores to form a new company, Drug Systems Inc., that generated pro forma sales of $90.3 million for the year ended April 2.

Thirty-four per cent of Drug Systems' shares will be made available to the public in a one-million share offering, with the remaining ownership to be evenly divided between Farm House Foods Corp. and Casa-Blanca Industries Inc.

Before the merger, White Drug had been a Farm House Foods subsidiary for 10 years. CasaBlanca had owned Wil-Car Enterprises Inc., which operated the H&BA chain and wholesaling business that is being merged with White Drug to form Drug Systems.

The new company will continue to operate Wil-Car and White as separate divisions and will add H&BA outlets as well as drug stores to the corporation, according to Roy D. Terracina, vp and treasurer.

After the stock offering, there will be $7 million available for the acquisition of chains and individual stores.

Although Drug Systems is based in Milwaukee, Terracina said expansion will not be limited to the Midwest. He added Drug Systems has no plans to put pharmacies into the Wil-Car stores.

Wil-Car will continue to operate its wholesaling business, which services 300 small- to medium-sized independent retail stores, out of its 360,000-sq.-ft. distribution center in Portsmouth, Ohio.

James D. Nowatzki, president of White Drug, said, "No changes in operation are planned for White Drug. Our growth has been good in the 10 years since we were acquired by Farm House. The only thing specially planned is our 100th anniversary as a drug chain, which will be next year."

Continued on page 65

News in brief

NACDS exec to step down

NEW YORK—Kathleen McGee, vice president at the National Assocation of Chain Drug Stores, is leaving the organization to take a new position as executive director of the fledgling Retail Drug Institute here in September.

Kathleen McGee

Established by the Arnold and Marie Schwartz College of Pharmacy of Long Island University, the institute's goals focus on training personnel for marketing and merchandising within retail pharmacy.

"My function will be administrative," says McGee. "We plan to promote, develop, and educate retail management personnel."

At NACDS since 1973, McGee progressed from director of professional services to vice president. Her initial responsibilities centered on running pharmacy programs and coordinating pharmacy association positions with the profession's many other groups.

Before joining NACDS, McGee was the executive director of the Delaware Pharmaceutical Assocation, a statewide organization of pharmacists.

Peoples to review hearing centers

ALEXANDRIA, Va.—Peoples Drug Stores will review results of newly opened hearing aid centers in the optical centers of three Washington-area Peoples stores before deciding whether to continue its newest venture in expanded health care services.

Peoples has hired a certified audiologist to staff the three centers, all located in suburban Peoples Drug Stores. The hearing aid centers will function as an extension of the chain's in-store optical departments.

"We're putting our toe in the water with these three units," said Peoples spokesman Joe Pollard. "It's not really a big commitment, but if they work out, we will no doubt want to expand the program."

Hearing tests will be administered in one of the examination rooms constructed as part of the optical centers. Hearing aid equipment and supplies will be available for sale at each center.

Harris Wholesale to acquire Southeast

SOLON, Ohio—The Harris Wholesale Drug Co. has agreed to acquire the Southeast Wholesale Drug Co. of Miami, Fla.

Terms of the purchase were not disclosed, and the final agreement was not expected to be completed until late this month. Estimated annual sales for Southeast are between $18 million and $20 million.

Harris Wholesale Drug Co. is privately held and does not disclose annual sales. However, the new division created by the acquisition of Southeast is expected to service between 10% and 15% of Harris' 2,500 accounts.

Harris services independent drug retailer and hospitals in Florida, Georgia, Ohio, Pennsylvania, West Virginia and New York.

After the acquisition, the Southeast Wholesale Drug Co. will become the Southeast division of Harris.

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Vol. 5, No. 15 July 11, 1983

Wayne H. Roberts

Patrick W. Tupa

Dennis R. O'Dell

Walgreens promotes four execs

Dwight E. Iverson

DEERFIELD, Ill.—Walgreens has promoted Wayne H. Roberts to director of marketing coordination, where he will replace Frank Ziemann, who recently retired after 36 years

Roberts, who joined Walgreens in 1965 as a management trainee, had been manager of distribution.

The chain also promoted Dennis R. O'Dell to manager of Intercom Pharmacy Operations, where he will direct the operation and continued installation of Intercom, the chain's computerized pharmacy system. Intercom is in 600 of the 900 drug stores and will be chainwide by the end of the year.

O'Dell, who joined the chain in 1968, had been pharmacy supervisor for the Memphis district.

In other promotions, Patrick W. Tupa was named property manager and Dwight E. Iverson was named divisional merchandise manager for candy, tobacco and convenience foods.

Tupa, who had been a real estate representative for Walgreens.

Pay 'n Save expands nutrition ctr. tests

SEATTLE—After testing Health Spectrum (McKesson's nutrition center concept) in two stores for seven months, Pay 'n Save is expanding the tests to five more stores in the Seattle area in July and August.

"The reason for the additional test stores," according to Jim Agopsowicz, Pay 'n Save's OTC drug merchandiser, "is that for the past two months the original test stores have been profitable."

Agopsowicz told *Drug Store News* that "as a result of having a complete track on sales, we have made some changes. The size of the section—originally 15 to 20 ft. on one gondola side—has been trimmed to a maximum of 12 ft.

"In one test store we displayed skin care items in cosmetics, and in the other store we displayed them in the nutrition center. We have now moved skin care to cosmetics because that's where they have sold the best."

Another change is the elimination of herbs. Agopsowicz says he is puzzled by their failure to move as expected.

Protein powders (five or six were carried) have been sliced to two. "Interestingly," says Agopsowicz, "we solicited body-building shops, but found that these places were selling their own protein powder.

"We have also cut back on our national brands of natural vitamins [Thompson, Schiff and Plus]. In fact, we are cutting back on any item that's not selling up to our expectations."

One thing Pay 'n Save is not changing is the home for Health Spectrum. The gondola is in front of the pharmacy, across the aisle from Pay 'n Save's regular vitamins which include national brands as well as Pay 'n Save's natural and synthetic private labels.

Health Spectrum works on 35% to 40% margin vs. 50% to 60% for health food stores in order to impact a price image and thereby lure shopers.

Pay 'n Save's original projection on turnover was four and a half to six the first six months. "Our first two test stores now exceed six," Agopsowicz said.

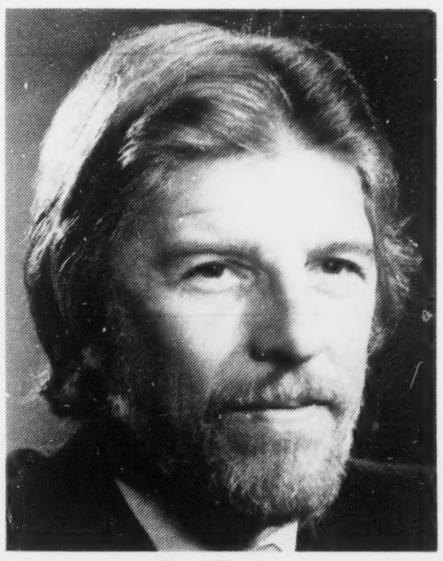
Forbes new DrSN *publisher*

Lebhar-Friedman Inc. has named Jay Forbes to the post of publisher of *Drug Store News*. Forbes, a 20-year Lebhar-Friedman veteran, will retain his post as group publisher with the company.

David Q. Mahler, vp and group publisher, announced the appointment.

After a three-year stint at *Photographic Trade News*, Forbes joined Lebhar-Friedman in 1963 as eastern sales representative for *Chain Store Age Supermarket Edition*. Since that time he has gained extensive publishing and retailing experience by holding positions that include national advertising sales manager for *Chain Store Age Drug Edition*, publication director for *Discount Store News* and director of corporate planning.

Most recently, he was publisher of both *Chain Store Age Supermarkets* and *Food Merchandising*.



Jay Forbes

"I'm excited to be back in the drug industry. It's challenging, ever-changing and a vital part of the nation's economy," commented Forbes.

Photography promo clicks for Gray Drug

CLEVELAND—Photofinishing customers at Gray Drug Fair stores now get two sets of "luster-finish" prints for each order, as well as guaranteed on-time delivery in the chain's new "Take 2" photofinishing program.

Introduced earlier this year in the chain's 401 stores, the "Take 2" program has greatly increased photo-finishing volume from both new and existing customers, the chain's director of merchandising for general merchandise Bob Morick said. "The program is doing very, very well," Morick said. "In fact, it's doing much better than any program we've ever run before."

Morick said results of an independent consumer survey conducted for Gray Drug Fair

Continued on page 65

Chains increase local TV ad budgets by 54%

NEW YORK—Drug chains increased local television advertising budgets by an average 54% during the first quarter of 1983, the Television Bureau of Advertising reports.

During the January to March 1983 period, chains purchased $10.5 million worth of local television time, compared to $6.8 million in the same period last year. The increase represented the largest percentage change among any of the top 20 categories of local retail television advertisers, the association said.

Eckerd, the leading chain drug buyer of electronic advertising, spent $2.4 million in the first quarter of the year, up 61% over the $1.5 million allocated for the same period in 1982. Only two other retailers, Sears Roebuck & Co. and Dayton-Hudson Corp., had a bigger percentage change in local television advertising dollars in the first quarter of 1983.

Eckerd is ranked as the 24th largest local retail television advertiser in the country.

A close second to Eckerd was Revco, which boosted its advertising for the first quarter by a hefty 302% to $1.1 million.

The most dramatic single increase for the quarter was from Page Drugs in Dallas. The chain's budget was up 1,065% over the first quarter of 1982. Page's total television advertising budget for the first quarter this year was $188,700.

Another chain that posted a significant increase during the first quarter was Gray Drug Fair. The Cleveland-based chain expanded electronic advertising outlays by an estimated 280% to nearly $500,000. The Gray Drug division showed the biggest increase with television advertising going up 471% to $265,000. Drug fair expenditures were up 104% to $230,000.

According to Harry Steck, senior vp of marketing at Gray Drug Fair, the chain will continue to place a heavy emphasis on television advertising for the remainder of the year. He said the media mix of television and print has lent considerable support to the chain's image-building program.

At Peoples Drug Stores, local television advertising increased by an average 225%. The T.B.A., which still reports Haag's advertising expenditures separately from Peoples, said the chain raised its television budget by 474% to $205,500 in the first quarter of this year. During that period Peoples converted 37 of its Haag units in Indianapolis to the Peoples logo. Local television advertising for Peoples overall declined 24% to $470,600.

West Coast drug chains were led by Thrifty, which is third among drug chains in local television advertising. During the first quarter, Thrifty spent $744,200, 22% more than the first quarter in 1982.

Long's posted a 17% increase for a total of $400,000 worth of local television advertising.

Sav-On Drugs allocated $277,500 for television, a 4% decrease from the first quarter of a year ago. Also cutting back on television was Pay 'n Save, which spent 24% less than last year for a total of $285,300.

Top 15 drug chain local TV advertisers

Chain	1st qtr. expenditures	% change from '82
1. Eckerd	$2,360,600	+ 61%
2. Revco	1,098,100	+ 302
3. Thrifty	744,200	+ 22
4. Walgreens	652,100	+ 25
5. Thrift	639,200	+ 110
6. Peoples	470,600	– 24
7. CVS	466,500	+ 64
8. Long's	400,000	+ 17
9. Pay 'n Save	285,300	– 24
10. Sav-On	277,500	– 4
11. Gray	265,000	+ 471
12. Hook	243,400	– 21
13. Drugfair	230,800	+ 104
14. Haag	205,500	+ 105
15. Page	188,700	+ 1,065

Source: Television Bureau of Advertising

Advertising upped

Walgreens and Thrift Drugs continue to be heavy television advertisers. Walgreens, ranked fourth in the list of top 15 drug chain TV advertisers, spent $652,100 in the first quarter, up 25% from a year ago. Thrift, ranked fifth behind Walgreens, upped its local TV time buys by 110% to $639,200.

In addition to Eckerd, The Kroger Co., the parent company of SupeRx, and American Stores Co., which operates Rea & Derick and Skaggs, were among the top 25 local retail television advertisers for the first quarter. As a corporation, Kroger ranked 11th on the list and reported a 32% increase in local TV time for a total of $3.1 million. American Stores, collectively ranked 14th, reduced its local television advertising expenditures by 17% to $4.8 million in the first quarter of 1983.

Overall, drug chains are listed 14th among the top 20 categories of local television advertisers. The largest categories include restaurants and drive-ins, food stores and supermarkets, banks, auto dealers, furniture stores and department stores.

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Motorcraft Tested TOUGH 60

Bolger receives honorary degree

BOSTON—Robert J. Bolger, president of the National Association of Chain Drug Stores, has been awarded an honorary degree of doctor of science in pharmacy by the Massachusetts College of Pharmacy and Allied Health Sciences.

In his commencement address to 120 graduates receiving their B.A. degrees and 20 graduates receiving advanced degrees, Bolger congratulated the college for its emphasis on computer competence for all students and faculty members.

"Computers are becoming crucial to the practice of pharmacy," he said.

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PHARMACY

McKesson steps up medical equipment sales

SAN FRANCISCO—After two years of testing, Foremost-McKesson Drug & Health Care Group is rapidly establishing the country's first national distribution system for durable medical equipment (DME).

Currently, McKesson Drug is distributing such equipment in 14 states to 100 full-line, trained customers in freestanding businesses plus several thousand drug stores that are offering in-home convalescent needs in varying degrees.

The equipment is being shipped from 28 of McKesson's 57 distribution centers. McKesson plans to expand to its remaining distribution centers by the end of fiscal 1984 (ended March 31, 1984).

At present, McKesson is generating durable medical equipment sales of approximately $20 million, and expects to double that figure in the next three or four years.

McKesson is bullish on the market. Says John Woolard, director of promotional services for McKesson Drug: "Nationally, the medical equipment business totaled $240 million in 1974. By 1983, it had risen to $3 billion. Although experts predict it will reach $6 billion in 1990, I believe it will hit this total by the end of 1985."

McKesson, marketing medical equipment under its Sun-Mark label, offers several thousand items. "It's true that we have always carried supplies—blood pressure cuffs, ice packs, thermometers, etc.," says Woolard. "It's also true that drug stores have sold crutches, canes, walkers, etc. But DME dealers are involved in much costlier equipment.

Freestanding required

"DME appeals primarily to pharmacists with latent interest in DME who would like to open a second, freestanding retail business. The reason it should be freestanding is that it is a specialized business. What kind of DME image would a drug store have if the cosmetician answered the phone and a hospital discharge planner or home health nurse inquired about a hospital bed?"

Woolard adds that DME is also capital-intensive, with high startup costs. "Even so," he said, "some DME dealers have generated a profit within the first year." Most DME equipment, he added, is rented to patients, not sold.

Woolard lists the six hallmarks of McKesson's DME program:

1. **Distribution muscle.** "We have distribution centers throughout the country, augmented by electronic order-entry, good service levels and prompt delivery."

2. **Inventory support.** "We have injected distribution into what has primarily been a cottage industry. In the not-too-distant past, a local furniture store or rental outlet would rent the beds, and a welder would take care of oxygen needs. But the industry is fast being manned by experts because the market is there—and growing. In cutting down

Continued on page 22

Gross margins increase on cough/cold scripts

NEW YORK—Retail pharmacies report increased gross profit margins on cough and cold prescription products.

This is one of the findings of surveys conducted by Decision Data, a marketing research company in Arlington, Tex.

The report compares prescription data gathered in March 1983 to year-earlier information.

The report covers products from five market segments—cough preparations, decongestants, cough and cold combinations, bronchodilators, and antihistamines. Although Actifed tablets and Novahistine DH liquid are now OTC products, they were included in this summary because physicians are still writing prescriptions for them.

Not only did overall gross margin for the group increase—from 44.1% last year to 46% this year—but absolute dollar margins advanced. A script in this group provides an average gross profit contribution of $3.47.

Virtually all the growth came in the "all other" category, which yielded a dollar margin of $3.90 up 70¢. The top 24 products' gross profits actually declined 20¢ to $3.15 per script. The decline results from a sharp margin decline, off six points from the previous year. Margins for these products averaged 40%.

All products in the top 24 recorded lower gross margins this year.

Overall, the top 24 items are playing a more significant role in the market this year. These products now account for 55% of the cough and cold scripts, up 10 points over last year's share.

No one company dominates this diverse market, but six firms captured 40% of the market. And the top 10 firms controlled only a 54% share.

Robins leads the group with an 11.6% share; Wyeth and Parke-Davis are tied for second, each with 6.6%; Key placed fourth with 5.2%; SKF was fifth with 5.2%, and Burroughs Wellcome placed sixth with 4%. But BW's largest cough cold brand, Actifed tablets, was changed to an OTC product. As a result, the brand registered lower prescription volume.

Special report: antiulcer drugs— page 26

Dollar margins for cough/cold pharmaceuticals increase

Drug Description	Manufacturer	% Retail market share 3/82	% Retail market share 3/83	Average price 3/82	Average price 3/83	% Retail margin 3/82	% Retail margin 3/83
Dimetapp Elixir	Robins	4.3	4.9	$ 5.13	$ 5.40	61	59
Dimetapp Extentabs	Robins	3.4	4.4	7.34	7.97	43	41
Ornade Spansules	SKF	1.4	3.3	8.82	9.75	41	36
Theo-Dur 300mg Tabs	Key	1.8	3.2	12.09	13.34	29	29
Phenergan Expt. with Codeine	Wyeth	2.4	3.0	6.08	6.23	57	55
Theo-Dur 200mg Tabs	Key	1.3	2.6	10.72	11.62	34	34
Benadryl Caps 25mg	Parke Davis	1.6	2.6	5.49	5.81	55	48
Naldecon Tabs	Bristol	1.7	2.4	11.22	11.98	32	31
Actifed Tabs	Burrougns-Wellcome	3.9	2.4	5.56	5.67	55	47
Dimetane Expt.	Robins	1.2	2.2	5.52	5.75	59	57
Entex LA	Norwich	—	2.2	—	7.60	—	46
Trinalin Tabs	Schering	—	2.2	—	9.58	—	38
Benadryl Caps 50mg	Parke Davis	1.7	2.1	6.99	7.20	45	24
Phenergan VC with Codeine	Wyeth	1.8	2.1	6.27	6.53	54	53
Benadryl Elixir	Parke Davis	1.3	1.9	5.62	5.62	56	39
Tuss-Ornade Spansules	SKF	1.6	1.9	8.14	9.50	42	38
Actifed-C Expt.	Burroughs Wellcome	1.7	1.6	6.63	7.05	53	51
Tussi Organidin Expt.	Wallace	0.9	1.6	7.07	7.65	50	46
Brethine 2.5mg Tabs	Geigy	1.2	1.6	11.74	12.61	30	30
Phenergan Expt. Plain	Wyeth	1.4	1.5	5.03	5.25	65	63
Naldecon Ped. Syrup	Bristol	—	1.4	—	7.90	—	45
Ambenyl Expt.	Marion	1.4	1.4	8.82	8.82	43	43
Ru-Tuss Tabs	Boots	1.1	1.4	7.11	7.96	49	45
Novahistine DH Liquid	Dow	1.1	1.3	7.72	7.56	48	49
Top 24		45.0	55.1	7.26	7.86	46	40
All Other		55.0	44.9	7.89	7.17	41	54
Total		100.0	100.0	7.74	7.55	44	46

*Per cent retail margins are based on average wholesale prices.

Source: Decision Data

Data collection will bolster Rxman's health care role

Therapeutic substitution and pharmaceutical alternatives are two emerging responsibilities for pharmacists practicing in retail settings. Both concepts face stiff opposition from manufacturers of branded pharmaceuticals and from the American Medical Association.

The concept of substituting one drug for another, independent of the prescribing physician, was referred to committee for rewrite by the American Pharmaceutical Association's House of Delegates. A new version, called pharmaceutical alternatives, emerged at this year's annual APhA meeting and was adopted.

How and when the policy is implemented will be determined state by state via the legislative or regulatory route.

Opposition to both measures by A.M.A. could create a decline in relations between retail pharmacists and physicians—something neither group needs.

Some of physicians' concerns lie in the areas of patient health care, proper monitoring of patients and their drug use, and the ever present threat of malpractice.

Physicians' prime focus centers on the legal issue of

Joseph Caputo, RPh
Pharmaceutical Editor

responsibility, specifically the health care practitioner responsible for patient welfare. To date, physicians shoulder most of that responsibility, and this makes sense, as the profession has access to most of the information about the patient—lab tests, physical assessments, special diets, etc. As a result, doctors face significant malpractice expenses from members of our litigious society. Therapeutic substitution complicates this already murky picture.

Adequate patient monitoring is another area that concerns physicians. Pharmacists also have a stake in this area—albeit a limited one—since they do keep patient drug profiles. The only problem is many pharmacies don't bother to record patient profiles.

Although physicians monitor drugs prescribed, pharmacists are in a unique position to determine if the prescribed medication is dosed properly.

Another area of concern focuses on the setting where drugs are dispensed. Pharmacists in hospitals already practice therapeutic substitution, but within the confines of each institution's published formulary. Prescribing and dispensing functions in the hospital are controlled through this document.

But community settings—retail drug stores—represent a vastly different patient care environment. Here retail pharmacists can play a key role, since drug profiles capture patient drug usage patterns. In fact, retail pharmacies are increasingly using computers to capture drug use information, and computers are offering consumers a variety of data about the drugs being taken.

So, however the debate over therapeutic substitution and pharmaceutical alternatives is resolved, pharmacy retailers are headed into the future as collectors and providers of drug information—a role that can only benefit consumers and the profession.

PHARMACY

New products sharpen antiulcer competition

NEW YORK—Competition within the $1.1 billion worldwide antiulcer market is heating up as Roche and Glaxo prepare for the joint United States launch of Zantac (ranitidine), a product which is directly competitive against SmithKline's Tagamet (cimetidine), one of the leading dollar volume prescription products.

Special report: antiulcer drugs

Over the last two years other new products have also expanded the antiulcer market. Marion launched carafate in 1982, and Robins introduced metroclopramide HCL (Reglan) in 1981. As a result, the antiulcer market is perhaps one of the most dynamic in recent memory.

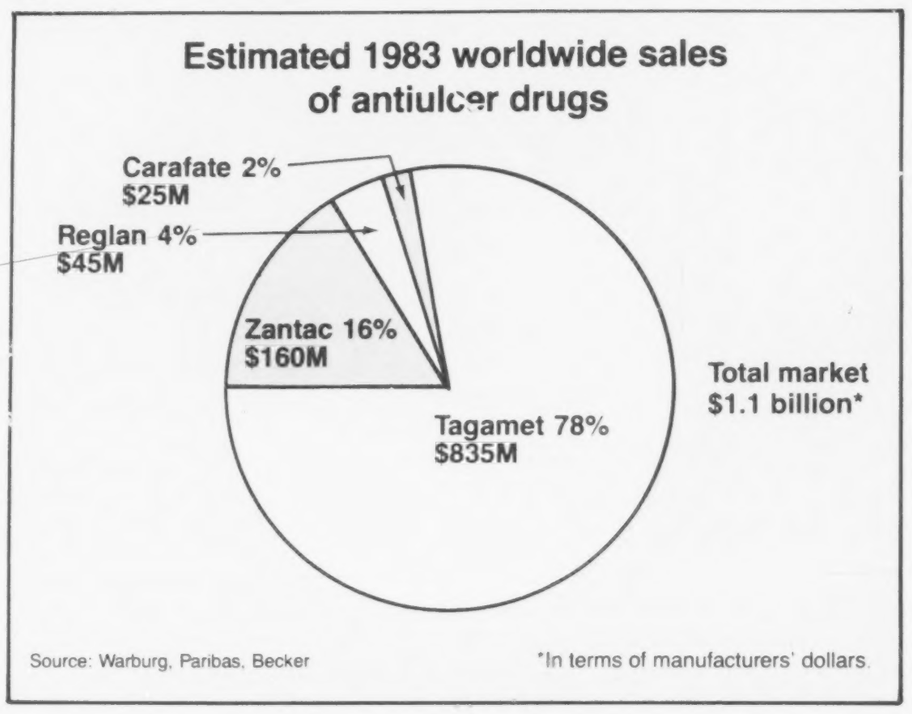
"The market is growing for everybody," said David F. Saks, vp at Warburg Paribas Becker, a Wall Street investment banking firm.

A SmithKline executive explained that the firm isn't taking the launch of a major competitive product lightly: "I know there is sufficient concern in our marketing department to follow Glaxo with a drug similar to ranitidine," the exec said.

The development of oxmetidine by SmithKline is about two years away. Oxmetidine is said to be more potent and longer acting than ranitidine, allowing a one-a-day dosage schedule.

"We know it will be a 'me-to' drug, but it will have an edge in convenience," the exec noted.

Meanwhile, SmithKline executives are girding up for the opening salvo from Roche and Glaxo, an attack the executives predict will hinge on the new drug's convenient twice-a-day dosing schedule and heavy up-front promotional expenditures.



But the degree to which convenient dosing will be accepted by the medical community remains open to question, since patients can obtain the same effect by doubling the dose of cimetidine.

SmithKline will also continue to emphasize cimetidine's enviable record of safety compiled worldwide over several years. Used by over 20 million people, the drug has produced few side effects.

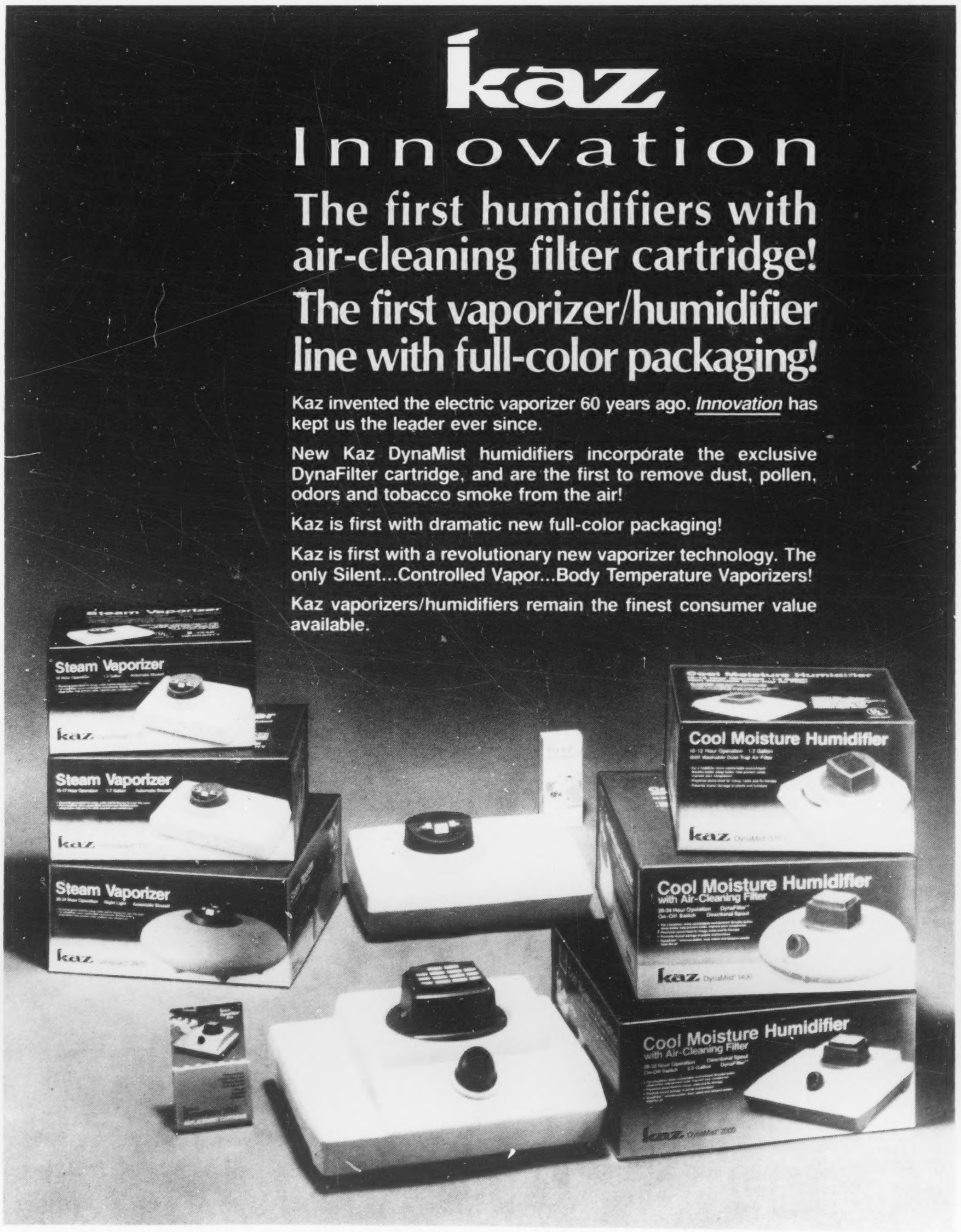
Executives around the industry and pharmaceutical marketers in the United States are also betting that Roche and Glaxo will overcome physician inertia toward new products. Both firms can claim that ranitidine isn't new and has been used by over a million patients in 31 countries.

Carafate, a drug as effective as cimetidine and ranitidine in curing duodenal ulcers, got off to a fast start in 1982. The nonsystemic drug provides a "protective" barrier between the ulcer crater and acid. Carafate sticks to the ulcer's base, protecting the lesion so it can heal.

Because carafate isn't absorbed, the drug theoretically is safer than products which can produce systemic effects. A profile of side effects reveals an incidence of 4%-5% among patients using the product.

Reglan, a well known anti-

Continued on page 28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Cool Moisture Humidifier with Air-Cleaning Filter

Americans spend at least one quarter of a billion dollars for drugs which relieve upper gastrointestinal distress.

Antacids play valuable ulcer treatment role

NEW YORK—Antacids, often the mainstay of ulcer therapy, are used to (1) neutralize stomach acid and (2) adsorb the pepsin (aluminum-containing products are more likely to act in this way).

OTC antacids play a vital role in the management of ulcer disorders in combination with dietary adjustments and prescripton drugs. And selecting the antacid product based on proper active, neutralizing ingredients will specialize the treatment to the patient's needs.

- **SODIUM BICARBONATE:** This drug is a fast-acting neutralizer of short duration. It reacts with gastric acid to form sodium chloride, water and carbon dioxide. This product is contraindicated for chronic or prolonged therapy due to the chance of sodium overload or systemic alkalosis.
- **CALCIUM CARBONATE:** This drug is a rapid-acting, effective neutralizer of gastric

Continued on page 28

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PHARMACY

Special report: antiulcer drugs

New products sharpen antiulcer competition

Continued from page 26
nauseant, is a relatively new entry to the antiulcer market. The drug relieves the effect of heartburn and esophagitis by tightening the esophagial valve so that gastric acid isn't regurgitated onto the delicate epithelial lining.

In addition, the drug hastens stomach-emptying, which makes it effective against bloatedness and nausea.

"In terms of percentage growth, Zantac, Carafate, and Reglan will be the main gainers," said Saks. But as the market expands Tagamet will also continue to report gains.

Some marketers predict that ranitidine will penetrate the antiulcer market, but on a gradual basis. They say the impact could be similar to that of cimetidine's effect on antacid consumption.

But they are quick to point out that physicians' current prescribing habits will be tough to change in the short term.

Comparison of cimetidine and ranitidine

	Cimetidine	Ranitidine
Patient Information	Take with meals	—
Dosage Oral Forms • Duodenal ulcer • Zollinger-Ellison Syndrome	300mg four times a day for 4-6 weeks 1,200mg per day, not to exceed 2,400mg/day	150mg twice a day for 4 weeks 600-900mg per day
Dosage Forms Available	200mg, 300mg tablet oral liquid injectible	150mg tablet
Adverse Effects	Bradycardia Mental confusion Gynecomastia Decreased renal function Fever	Skin rash Headache Dizziness Decreased WBC and platelet count
Site of Metabolism	Liver	Liver/hepatic blood flow reduced 20%
Oral Absorption	60%-70%	50%
Half-life (hours)	2.0-3.0	2.5-3.0
Amount Excreted Unchanged in Urine	48% of single oral dose recovered in 24 hours	30% of oral dose recovered in 24 hours

Source: Facts and Comparisons

Antacids: 4th largest OTC sellers

NEW YORK—Antacids represent the fourth-largest OTC drug category and just over half the adult population uses these drugs.

When the statistics are translated to sales, it's estimated that every year, Americans spend at least one quarter of a billion dollars for drugs which relieve upper gastrointestinal distress.

About 12% of the adult population are considered heavy users of antacids, i.e., they use an antacid at least once a week or more. Men and women both have the same level of usage, but it does peak among the 35-44 age group.

When interviewed, consumers say the most common ailments for which antacids are used trace to upset stomach/nausea (51%), heartburn (29%), sour stomach (17%), ulcer problems (12%) and indigestion (9%).

When recommending an antacid, pharmacists should first determine that the problem is acute in onset and that it can be traced to overeating, dietary indiscretion, alcoholic consumption or tension. Indeed, the most valuable service that a pharmacist can provide when consulting a patient is to help the patient decide whether an illness is treatable with self-medication or whether it requires medical attention.

Patient interviewing is the only method a pharmacist can use to evaluate a patient's condition. It must be remembered that only acute gastritis—without bleeding and the reflux of gastric juice into the esophagus—should be treated without medical attention.

Patients returning frequently with complaints of acute gastritis should receive a medical examination since chronic gastritis may be associated with gastric ulcer. If sustained relief isn't obtained promptly from an antacid, pharmacists should refer the patient to a physician.

In a patient interview, the pharmacist should listen for symptoms that suggest bleeding, vomiting, or obstruction, notably those which are life-threatening and require immediate medical evaluation.

Some questions that pharmacists should ask patients buying antacids follow: How long have you had the pain? Where and when does the pain occur? Do you get the pain immediately after meals?

Antacids play valuable ulcer treatment role

Continued from page 26
acid. Calcium carbonate reacts with gastric acid to form carbon dioxide, water and calcium chloride. Though calcium chloride will react further to form calcium carbonate or phosphate in the GI tract, systemic alkalosis represents less of a problem here than with sodium bicarbonate. Calcium carbonate is recommended in small doses for occasional gastritis and is not recommended for chronic use.

• **ALUMINUM:** Aluminum can be administered as the hydroxide, carbonate, phosphate or aminoacetate. Though aluminum hydroxide is the best neutralizer of this group, it is still less effective than magnesium hydroxide, sodium carbonate or calcium carbonate.

Constipation is the most troublesome side effect with this product, but the problem can usually be limited. To overcome constipation, aluminum is often combined with magnesium salts, or laxatives or a stool softener are added to the regimen.

• **MAGNESIUM:** Salts of magnesium that impart antacid activity include the oxide, carbonate, hydroxide and trisilicate. Reaction with the gastric acid results in the formation of magnesium chloride and water. Insoluble salts of magnesium cause osmotic diarrhea that is the major side effect of these antacids. A magnesium-aluminum combination may alleviate this problem.

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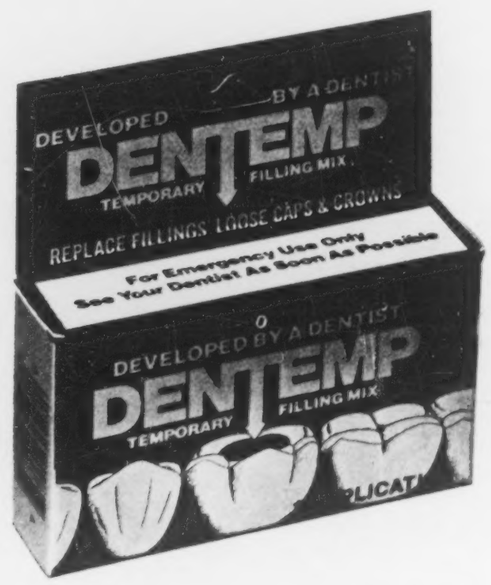

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CHAIN STORE AGE
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Special Triple A Product Study—page 4

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DRUG STORE NEWS

Vol. 5 No. 16/Incorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./July 25, 1983

Phones, electronics top execs' 6-mo. promo list

By Jim Ricchiuti

NEW YORK—Question: What do solar calculators, portable hair dryers, television sets, Darth Vadar figures, telephones and digital blood pressure devices have in common?

Answer: They are some of what chain drug merchandising executives think will be the hottest-promotional products over the next six months.

It probably comes as no surprise that telephones are at the top of just about every drug retailer's list when it comes to promotions. The one-piece and cordless phones are where the market is heading, according to many retailers.

What may come as a bit of a surprise is the number of other electronic products that drug chains have targeted for promotion over the next half year. Improved consumer confidence and falling electronic prices are some of the reason accounting for the electornics push.

Don Roettger, vp of marketing at Reed Drugs in Atlanta, said that while the chain would be concentrating on the basics this year, several promotions are slated involving electronic products.

Roettger said that Reed will market a number of Westminster electronic products with price points that range from $3.99 to $100. "Our emphasis is going to be on the $29 and $39 category," Roettger said. The bulk of the promotional effort will be for a Walkman-type radio and several portable AM/FM radios.

In addition, Reed will promote a variety of imported products under the name Gold Star. One such item is a portable hair dryer, manufactured by a company called Andis. The hair dryer will sell for approximately $6.99.

As for telephones, Roettger said he expects them to be the big item of the year. "Telephone sales started off real strongly

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Rite Aid is primed for expansion in '84

By Mike Dunn

CAMP HILL, Pa.—With its pockets lined with cash, Rite Aid is pushing its expansion program into higher gear.

See related story page 3.

Alex Grass, chairman of the Shiremanstown, Pa.-based chain, told stockholders at the annual meeting that the chain's cash flow this year will generate between $47 million and $50 million for capital spending, including new construction and acquisitions.

The heavy war chest will enable Rite Aid to increase the number of both its drug stores and its subsidiary, Circus World toy outlets, by approximately 10% in the coming year as well as make a major effort to expand its chain of Heaven specialty stores.

At the same time, shareholders increased Rite Aid's growth ability by authorizing

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Gondolas angled off the main loop, identification banners suspended over departments and billboarded merchandise enable customers to see every category.

Cost, scarcity slow aspartame's U.S. debut

By Al Heller

NEW YORK—Although the Food and Drug Administration has approved the use of aspartame in domestic soft drinks, retailers should not expect an onslaught of new brands or reformulations. The earliest trade estimate is "several months" before one appears in this market, and "that's only if a manufacturer wants to shoot craps," says one soft drink executive.

The reason: aspartame's scarce supply and high price of $85-90 per pound compared with saccharine's $4 cost. Soft drink companies cannot commit to large marketing campaigns unless they can be assured of steady supply.

Nevertheless, G. D. Searle & Co., manufacturer of aspartame, expects to be able to meet industry demand. "We expect slow entry into American markets, with a great deal of test marketing. As demand builds, our ability to produce will increase in parallel fashion," says Robert Shapiro, president of Searle's NutraSweet group.

One soda company official calls Searle's contention "optimistic, since Equal's growth is taking up its aspartame capacity." Equal is the brand name for Searle's table sugar substitute.

The question of aspartame's

Continued on page 94

In the loop layout, the customer is led through staggered categories of merchandise to their highest placement on the wall.

Guild adopts race track layout in Calif.

By Lou Karney

MANHATTAN BEACH, Calif.—In an attempt to sell higher gross merchandise and increase sales and profits by at least 20%, Guild Drug has adopted the loop (race track) layout in two stores and plans to extend the experiment to a third store next month.

Guild may be the first drug chain to adopt this layout, which is widely used by department and discount stores to increase consumer eye exposure to merchandise.

In contrast to the traditional front-to-back grid layout, the race track layout leads shoppers along an oblong route through the store.

Upon entering, the shopper finds himself or herself on a 5-ft.-wide, white-tile corridor. The rest of the store's floor is carpeted, the center area being green with a brown perimeter.

After entering, the shopper can go left (candy, OTC, Rx, gift, nutrition/health) or right (clothing, cosmetics, feminine hygiene).

Because most people turn right on entering, Guild groups its highest impulse, highest

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LATE NEWS

ECKERD DRUG has named Fred Augello to the post of director of pharmacy health services. He will report to Robert L. Myers, vp of pharmacy services. Augello had been a pharmacy area manager in the Georgia-Alabama division of Eckerd for the last five years. Before that, he had been with Thrift Drug for 15 years. He is a Temple University graduate.

BEGLEY DRUG shareholders re-elected Robert J. Begley, president and chairman of the chain; James K. Lewis, executive vp of the Central Trust Co. of Cincinnati; and Robert L. Maddox, a partner in the Louisville law firm of Wyatt, Terrant and Combs, to three-year terms as directors. The board of directors also met and approved six new lease sites. Begley predicted good first quarter results despite bad weather in April and May. He said good weather in June compensated for April and May.

St. Louis Medicare, Glaser to share logo

By Faye Brookman

ST. LOUIS—In an effort to consolidate its strength in the St. Louis market, Medicare-Glaser has united its two diverse drug operations—Medicare and Glaser—under one logo. The move brings to 61 the total number of Medicare-Glaser units in the Metropolitan St. Louis Area.

"With our 61 stores, we're the No. 1 chain," said Harlan Steinbaum, president. "We'll have greater market penetration and gain in our share of market."

Medicare-Glaser's attempt to fortify its position is being made in the face of a strong push by Deerfield, Ill.-based Walgreens to increase its market penetration in St. Louis.

Two years ago, Walgreens made a splash here when it added five huge (17,000 to 24,000 sq. ft.) former Skaggs units, complete with mini-food sections, to its St. Louis store count. Walgreens now operates 34 units here, and president Fred F. Canning considers this to be one of the chain's most promising markets.

Medicare-Glaser's move to one name also allows it to achieve economies of scale in advertising. Steinbaum explained that advertising will now have an "umbrella" effect.

Although the two formats differ—the former Medicare Pharmacies ranged from 2,500 sq. ft. to 3,000 sq. ft. with a heavy pharmacy emphasis and the Glaser Drug Stores were 8,000 sq. ft. to 12,000 sq. ft. with a large convenient store mix—the chain decided to use one name. There have been no physical changes in the smaller

Continued on page 94

R&D, marketing continue to boost drug profits—page 21

BEST AVAILABLE COPY

Home health care products spark explosive sales

NEW YORK—Fueled by the entry of heavy-hitting consumer manufacturers like Timex, Norelco and Panasonic, the home health care equipment market is heating up.

Drug retailers say that increasing consumer awareness of the category and demand for these products mean that home health care devices can no longer be hidden behind pharmacy counters. In addition, they must be well stocked (see related story).

Most pharmacies have carried blood pressure monitoring equipment in the past, but the category is just now coming into its own with expanded lines and renewed consumer interest in such products as blood pressure kits, digital scales and electronic thermometers.

One chain executive said he planned to run ads for digital thermometers and blood pressure kits only if he can be assured that products will be in sufficient supply. Right now, the executive said, electronic home health care appliances are selling as fast as they are put in the stores.

Industry estimates set the market for 1983 at some 1.25 million blood pressure units alone, a growth of about 25% from 1982 figures. Dollar sales are expected to rise a remarkable 35% in this product category in 1983 from 1982 sales of about $100 million.

Several older, more traditional medical supply firms are also competing for the same business with the new entrants, who are staging more consumer-oriented campaigns. Lumiscope, a medical supply company in Edison, N.J., is meeting the new competition by stressing its complete coverage of the category.

Lumiscope president Gerald Baker explained, "We offer the most complete line-up of blood pressure units for home use from under $20 [a manual kit] to about $250 retail [a kit with a clock, print-out tape and auto-inflating cuff]."

"While I hardly expect an account to sell the entire line-up," said Baker, "the lower three or four price points are right for a drug or mass merchandising chain, while the upper units are right for department stores."

Copal, another traditional home care product manufacturer, began marketing its own blood pressure kits to retailers in February. National sales coordinator Marty Sussell said, "Before February, we were supplying the kit to private-label companies for distribution."

Also emphasizing assortment, Copal markets four kits ranging in price from $70 retail to $270. Another home care product Copal sells is a pulse meter for use during exercise or jogging. This unit retails at about $80.

Timex is test marketing a digital blood pressure kit.

In addition, Norelco has just tossed its hat into the home health care ring with the introduction of four blood pressure monitoring kits, two digital scales and a vibrating headboard. The product promotion is supported with the slogan, "The name consumers will trust in a market where trust is everything."

With market estimates for blood pressure monitors approaching $135 million in 1983, drug stores are being encouraged to optimize sales through proper merchandising near the pharmacy department.

. . . tips on merchandising

NEW YORK—Merchandising hot new products is not always easy, especially when the products do not fit nicely into traditional drug store categories. Such is the case with many home health care appliances.

Though blood pressure kits logically seem to fit into the professional pharmacy department, some stores opt to merchandise these products with personal care appliances or small electrics to insure security.

With digital thermometers and scales, the same problem arises: at $20-$40 each, they cannot very safely be left on open, unattended shelves with manual thermometers and scales. Also, and perhaps most important in each of these three product categories, professional recommendations tend to increase sales.

To this end, retailers questioned by *Drug Store News* said they tend to prefer merchandising the more expensive home health care items close to both the pharmacy department and the OTC department.

—For example, at Eckerd Drug, home health care devices and blood pressure kits carried in the drug stores (as opposed to those in the MedCare centers) are positioned in the pharmacy area and on OTC product shelves near the pharmacist.

—At Walgreens, blood pressure kits and digital thermometers, which are carried in all stores, are usually located near the pharmacy as well.

News in brief

Perry promotes Hunter and Ray

PONTIAC, Mich.—Perry Drug Stores has promoted Stephen Hunting to the newly created post of health care services administrator, named Samuel N. Ray assistant vp, human resources for the chain.

Hunting joined Perry in 1978 as an assistant store manager and moves to his new assignment after serving as a store manager. He earned his pharmacy degree in 1975 from the Albany College of Pharmacy, Albany, N.Y.

Ray's promotion comes about one year after he joined Perry as director of human resources after eight years with Chatham Super Markets. He earned his bachelor of science and master degrees at Temple University.

Sav-On ordered to enter Rx contract talks

LOS ANGELES—The U.S. 9th Circuit Court of Appeals has ordered Sav-On Drugs (division of Jewel Cos.) to negotiate with the Guild for Professional Pharmacists on a union contract for Sav-On's 400 pharmacists.

The court decision comes after five years of legal maneuvering. Timothy Ryan, Sav-On's attorney, told *Drug Store News* that in agreeing to enter into contract negotiations with the Guild for Professional Pharmacists, Sav-On also agreed not to appeal the 9th Circuit Court's decision to a higher court.

Gray shifts executive duties

CLEVELAND—Gray Drug Fair has changed the responsibilities of four executives, moving Richard Landers to director of visual marketing, Robert Morick to director of H&BA and cosmetics purchasing in addition to his other duties, John Mirlmelstein to merchandise manager for cosmetics and H&BA and giving Irwin Levon, who is vp of professional services, the additional tasks of overseeing purchases of pharmaceuticals and OTC drugs.

Landers had been director of merchandising for cosmetics, H&BA and OTC drugs. He will now direct signing and planograms that are in the works for the entire chain. He also will handle generics and the Columbus photo lab.

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Chains balk at odd-size cig pack

By Al Heller

As R.J. Reynolds' new Century brand, with 25 cigarettes per pack, finds its way onto retail shelves, drug store operators across the nation are expressing mixed feelings about this latest innovation in the tobacco category.

Retailers are primarily concerned about the virtual certainty of higher single-pack prices for this brand alone, spurred by higher tax rates and Century cartons holding just nine packs instead of the industry's usual 10. Retailers who pay comparable wholesale prices for Century cartons as other brands must charge more for each Century single pack in order to maintain margins. Consumers, on the other hand, perceive value because they're getting five extra cigarettes per pack for a few cents more.

Anticipated pricing errors at the front-end, and labor involved in hand-stamping extra tax labels on each carton and single pack, pose further obstacles to chains embracing the brand. Indeed, Century single packs are already selling for 3-10¢ more than other brands—following a year in which cigarette prices overall rose approximately 30%.

Century's touted concept of value—with 225 "quality brand" cigarettes at the usual carton prices—appears to work with cartons only. Breaking the 9-pack cartons into single packs for sale—the manner in which some chains conduct nearly 70% of their cigarette sales—leaves retailers in a quandary: Do they take a lower gross margin on the brand to keep prices

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Sav-On combos on hold

ANAHEIM, Calif.—Although Sav-On has budgeted the money for 10 food/drug combos in the San Joaquin Valley (from Bakersfield to Sacramento), the chain is putting the last four stores (originally scheduled to open in 1985) on "hold" for an indefinite period.

An industry source says: "Sav-On wants to see if the first six are as good as they think they are before going ahead with the other four. That makes sense. Sav-On learned something from their optical centers—they opened 20 and then closed them all."

Sav-On is exploring a number of options on the uncommitted four stores, according to other sources. One option is the possibility of opening smaller-size combos in small towns with trading areas of 30,000 to 35,000 population. That is why the Atwater store (construction will start on Dec. 1) will be closely monitored. Atwater is

Continued on page 94

POPAI kicks off user poll

FORT LEE, N.J.—Interviews with dozens of Philadelphia area shoppers began late last month as Du Pont and the Point of Purchase Advertising Institute kicked off its major nationwide study of drug store consumer buying habits.

The survey, which when completed will encompass more than 10,000 consumers in 250 drug, health and beauty aids, prescription and general merchandise stores, has been endorsed by both the National Association of Chain Drug Stores and the National Association of Retail Druggists. It is being conducted by Burke Marketing Research in two phases, June and July and November and December.

"This study is a new source for the chain drug industry," NACDS president Robert Bolger said in urging all association members to support and participate in the project. "It will provide much needed data and will serve as a management assistance and information tool for drug stores," Bolger said.

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Parks joins DrSN *as editor*

NEW YORK—Lebhar-Friedman has named Elizabeth Parks to the post of editor of *Drug Store News*.

A seven-year veteran of Lebhar-Friedman, Parks has reported extensively on retail trends within drug stores, most recently as editor of *Food Merchandising*, an L-F quarterly magazine covering grocery trends within nonfood outlets.

Parks has also served as administrative editor of *Chain Store Age Supermarkets*, Lebhar-Friedman's monthly magazine covering the food retailing industry, and executive editor of *Nation's Restaurant News*, an L-F bimonthly reporting on trends within the food-service industry.

In addition to a varied background reporting on foods, beverages and groceries, Parks has also specialized in computer and scanning stories, and in financial.

"What seems most exciting about retailing these days," she says, "is how trends seem to surface and resurface between industries. One of the hottest new formats to strike the supermarket industry in recent years was the warehouse store and now a variation of that concept

Continued on page 94

PHARMACY

R&D, marketing continue to boost drug profits

NEW YORK—Research and marketing efforts, which both create and promote new pharmaceutical products, continue to boost the balance sheets of the major drug houses.

At Squibb, for example, two new cardiovascular drugs are expected to add some $200 million in sales by year end, according to Dr. Ken Raven, director of public affairs for the firm.

"The R&D and strategic planning in companies are being perfected because the cost of losing is too high," says Raven.

In addition to the two new products, Capoten and Corzide, Squibb also has high hopes for its human insulin product currently awaiting F.D.A. approval. "We have 20% of the insulin market now and that figure will be enhanced almost immediately upon the approval of our human insulin which is imminent," says Raven.

Warner-Lambert's president, Joseph Williams, says that "newly introduced pharmaceutical products have added $100 million to our sales over the past two years."

About 13% of the pharmaceutical sales revenues at Warner-Lambert are recycled back into research efforts.

According to Pfizer's first-quarter report for 1983, Feldene (an antiarthritic drug) and Procardia (a cardiovascular for the treatment of angina pectoris), both launched in the United States during 1982, "attained the highest sales of all Pfizer pharmaceutical products sold in the United States during the first quarter of 1983."

In his April address to the shareholders, company president Gerald Laubach noted that in its first year of distribution, Procardia (nifedipine) prescriptions topped the $4 million mark. The oral calcium channel blocker sales were instrumental in the 60% increase in worldwide sales of Pfizer's cardiovascular products.

Similarly Feldene (piroxicam), the once-a-day antiarthritic, turned in worldwide sales of $314 million in 1982 and domestic sales of $136 million during its first 12 months in the United States.

A new Pfizer antibiotic, Cefobid, introduced in the United States in December of 1982, recorded domestic sales of $15 million just in the first three months of 1983. (Worldwide sales of Cefobid were $53 million in 1982.)

A Hoffman-La Roche spokesman said their acne product, Accutane, is doing very well. So far from January through May of 1983, pharmacists have filled 570,000 prescriptions (new and refill) for the drug. The first major entry into the dermatology field for Roche, this drug, which relieves severe recalcitrant cystic acne is, according to company figures, successful for about 90% of the patients using it.

Bumex, Roche's loop diuretic introduced in April 1983, is also registering gains in new script counts.

In addition to original research products, pharmaceutical firms are also taking advantage of cooperative agreements like the current Glaxo/Roche comarketing efforts behind their newly approved Zantac (ranitidine). Though a Glaxo product, the two companies will be supporting the marketing and distribution of the new antiulcer product as it becomes available this summer.

At SmithKline Beckman, meanwhile, hopes are riding high on three new products now being reviewed by the F.D.A. The three drugs in the pipeline for SmithKline are Ridaura, antiarthritic product and two antibiotics, Cefozox and Monocid.

New antiarthritic drugs gain market share

NEW YORK—New drugs racked up impressive gains on the list of most heavily prescribed antiarthritic products dispensed through drug stores.

Items such as Feldene 20mg, Dolobid 500, Indocin SR 75mg, and Naprosyn 500mg, products which didn't appear on last year's analysis, captured some of the leading script shares for the drug class.

And Boot's aggressive pricing policies for Rufen helped the English firm capture an additional 2 share points over last year's level. Meanwhile Upjohn's Motrin 400mg and 600mg continued to dominate the class with a script share of 26%.

These are the main findings revealed in a report on the antiarthritic market in drug stores prepared by Decision Data. The survey, conducted among a nationwide sample, further pointed toward continued percentage margin declines for retailers, down 1.3 points to 19% of the category.

Virtually all products except Rufen 400mg contributed to the overall decline of the class in per cent margin, but in absolute dollar terms a different picture emerged.

The average pharmacy surveyed, reports a dollar margin increase of 55¢ for typical scripts dispensed in this drug class.

Although pharmacies' average retail price increased significantly (+$3.08 per script over last year's level), pharmacists' costs for antiarthritics climbed faster. Hence the decline reported in retailers' per cent margins.

Gains in dollar margin trace to scripts for new products, and some hefty hikes on the prices of other drugs dispensed in the class.

Antiarthritic products are generally considered to be maintenance drugs with above average refill rates (50%), so patients tend to shop extensively for low prices. This further adds to the downward pressure on prices and margins.

New products also made their presence felt in terms of average prescription quantities dispensed. Quantities dispensed per script for such products as Feldene, Dolobid, and Indocin SR averaged about half that which was dispensed for a typical script in the antiarthritic category.

In December 1979, approximately 63 units were dispensed

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New products pace antiarthritic market in '83

Drug Description	Mfg.	% Mkt. Share 4/83	Avg. Qty. Per Script	Average Price Per Script 3/82	Average Price Per Script 4/83	% Retailer Margin* 3/82	% Retailer Margin* 4/83
Motrin 400mg	Upjohn	14.4	60	$14.81	$15.41	21	20
Motrin 600mg	Upjohn	11.5	52	18.25	19.07	21	20
Feldene 20mg	Pfizer	11.1	27	—	28.66	—	16
Indocin 25mg	MSD	8.3	58	14.34	16.34	22	20
Naprosyn 250mg	Syntex	6.1	55	23.77	26.05	17	16
Clinoril 200mg	MSD	5.7	51	25.73	30.29	15	13
Naprosyn 375mg	Syntex	5.5	44	24.87	26.86	19	19
Tolectin DS 400mg	McNeil	3.6	56	21.99	35.38	19	18
Clinoril 150mg	MSD	3.6	56	22.36	26.59	17	14
Nalfon 600mg	Dista	3.4	56	18.93	20.46	22	21
Dolobid 500mg	MSD	3.2	30	—	19.78	—	23
Rufen 400mg	Boots	2.9	63	13.99	12.44	27	29
Indocin 50mg	MSD	2.8	50	19.92	23.15	19	18
Indocin SR 75mg	MSD	2.1	29	—	25.00	—	19
Meclomen 100mg	Parke Davis	1.8	57	18.93	22.08	22	20
Naprosyn 500mg	Syntex	1.8	40	—	29.76	—	17
Butazolidin Alka Cap 100mg	Geigy	1.7	33	9.04	10.62	40	35
Butazolidin Tab 100mg	Geigy	1.5	33	8.91	10.23	40	38
Motrin 300mg	Upjohn	1.1	59	13.45	10.37	27	26
Top 19		92.1	49	18.29	21.99	20	20
All Others		7.9	49	8.60	9.83	43	41
Total		100.0	49	18.08	21.16	20	19

*Margins are based on average wholesale prices.

Source: Decision Data

A.M.A., pharmacy groups clash on drug substitutions

Joseph Caputo, RPh
Pharmaceutical Editor

The American Medical Association last month adopted a hard line antitherapeutic substitution resolution that in effect puts the A.M.A. on a collision course with the nation's two largest pharmaceutical organizations, the American Pharmaceutical Association and the American Society of Hospital Pharmacists.

In the latest in what has been a continuing saga of conflict, the A.M.A. House of Delegates on June 22 adopted several resolutions which flatly oppose the concept of therapeutic substitution by pharmacists.

The A.M.A. resolution clearly specifies that physicians are, in the A.M.A.'s eyes, the only professionals with a comprehensive knowledge of patients' medical histories and therefore that they are the only professionals qualified to devise suitable drug regimens.

The clear implication is that the A.M.A. does not want to delegate the right to select pharmaceutical alternatives to individuals other than nurse practitioners and physicians' assistants.

That position puts the A.M.A. on a clear confrontational course with the APhA, which adopted a policy of pharmaceutical alternatives or therapeutic substitutions at its annual meeting last April, and with the ASHP, whose traditional position on therapeutic equivalents is also being questioned.

Many hospital-based pharmacists already utilize therapeutic equivalents, but within the confines established by the institution's pharmacy and therapeutics' committee.

In all such situations, pharmacists are not supposed to substitute drugs independent of the physician prescriber.

APhA members, practicing in noninstitutional settings, had hoped to follow the precedents previously established by ASHP.

But now, this latest resolution from the A.M.A. makes it appear that even the concept of therapeutic equivalents dispensed in hospitals is being questioned by the medical community.

To underline how strongly the A.M.A. feels about this issue, doctors at the A.M.A. convention in Chicago were advised to take the issue to their respective state legislators.

This new conflict is further hampered by the lack of clear, concise definitions of such terms as therapeutic alternatives, pharmaceutical alternatives, chemical equivalents and therapeutic equivalents.

The lack of clear definitions creates misunderstandings over pharmacists' ability to substitute without prior approval from the prescriber.

A resolution, which would have recognized therapeutic substitutions of drugs, was reworded by A.M.A. The now more broadly revised resolution begins to close the door on all forms of substitutions by pharmacists—with one exception: generic equivalents.

The A.M.A. resolution, adopted last month, now defines therapeutic substitutions as 1) any interchange of a drug by the dispensing pharmacist that is not chemically identical to the product prescribed; 2) any alteration of the drug's dose, and 3) any change in the drug's route of administration.

PHARMACY

Bolger tells grads pharmacists must specialize

BOSTON—Because of the economy and changing consumer demographics, the pharmacist of tomorrow will probably be confronted with the following:

—Increased responsibility for helping the consumer decide which of many new types of nonprescription OTC medications he or she should use.

—Computerized in-store systems that will not only keep track of new drug products, new routes of administration, and new information about side effects, but also will keep track of new laws and regulations governing the pharmaceutical profession.

—Greater responsibilities for the welfare of individuals.

These were among several developing trends pinpointed by Robert Bolger, president of the National Association of Chain Drug Stores in a speech last month addressed to the 1983 graduating class of the Massachusetts College of Pharmacy and Allied Health Sciences. Bolger warned that because of the ever burgeoning cost of health care, pharmacists of the future are going to need to become stronger specialists.

Noting that the current bill for health care in America is $321 billion or approximately $1,400 for every man, woman and child in the country, Bolger said that the cost could escalate to $1 trillion by 1993 if the trend is not aborted.

"Clearly," he said, "America can not afford a trillion dollars a year for health care. The trend will *not* continue. Those consumers who must bear some or all of their health care costs directly are resorting increasingly to OTC medications *before* consulting the medical profession."

Government and industry, he said, are further fueling the trend with their increasing emphasis on the "prescription to OTC switch," the reclassification of appropriate medications from prescription to OTC drugs.

With consumers now willing and eager to accept greater responsibility for their own health care, Bolger said the question for pharmacists becomes "how can we help? How are we to adapt to meet the changing wants and needs of the consumer of health care?"

The answer that Bolger sees taking shape is greater specialization: "in the delivery of medicine, in the delivery of health care products generally, and in professional capabilities."

"In the not too distant future," he says, "we may see a distinction between nonprescription medicines to be used at the consumer's sole discretion and nonprescription medicines to be used on the advice of pharmacists—advice given on the basis of pharmaceutical knowledge, patient profile information and plain good judgment."

Whether this distinction should ever be established by law, remains for Bolger, a moot point. "As consumers avail themselves of an expanding and

Robert Bolger

an ever more potent array of OTC medicines," he says, "I believe, they will increasingly turn to the pharmacist for his or her expert counsel."

In line with this trend, Bolger told the graduates that in their professional lifetimes they can expect to see the computer fully come into its own.

Calling computers "crucial to the practice of pharmacy," Bolger predicted that soon "there won't be a pharmacy anywhere in the United States that will function without computer capability."

He said computers are particularly suited for filling needs in the following areas: maintaining adequate patient information profiles; supplying patients with prescription information; keeping abreast of the staggering number of new laws and regulations governing the pharmacist's profession, plus giving pharmacists the ability to better manage business data and coordinate professional activities.

Throughout his speech, Bolger stressed the importance of the individual especially in today's era of "mass marketing."

"With respect to products like light bulbs and spark plugs," he said, "a chain drug store can safely and properly pretend that there are masses of people.

"Anyone of more than 200 million Americans can use the same brand of bulb, the same wattage, the same gauge spark plugs in the same V-6 engine.

"But medicines are not spark plugs. Human beings are not white mice.

"Mass methods have always been of limited value in the delivery of medications, where the uniqueness of every human being is the dominant consideration.

"Today, because of economic growth, human expectations and information technologies, we have so altered the man-made environment that we can afford a degree of attention to the individual never before possible in history."

New antiarthritics gain mkt. share

Continued from page 21

per antiarthritic script, but by April 1983, the average declined to 49 dosage units per script.

Other findings revealed by the Arlington, Tex.-based firm noted that:

—The top 19 antiarthritic drugs accounted for 92% of the category's scripts.

—No one manufacturer dominated the class, but four firms Upjohn (27%), MSD (26%), Syntex (13%), and Pfizer (11%) captured at least 77% of the antiarthritic scripts dispensed in drug stores.

—The trend toward market dominance of the category by new drugs begun in the mid- to late-70's continued into the 80's.

Although not revealed by summary statistics, pharmaceutical buyers are aware of Boots' new television campaign promoting the brand's price differential vis-a-vis Motrin. Drug execs indicate that this trend could herald a new approach in the marketing of multisource drugs.

NEW INDICATION: Cheilitis secondary to oral retinoid acne therapy recommend
Herpecin-L®
Cold Sore Lip Balm (It Works!)
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812 A, FDR, NY, NY 10150

These shelves are filled with antitussives chemically unrelated to narcotics proved to selectively inhibit cough at the cough control center...

BENYLIN® COUGH SYRUP
Each teaspoonful (5 ml) contains diphenhydramine hydrochloride, 12.5 mg
Alcohol, 5%

The fastest-growing cough suppressant during the last two cough-cold seasons!

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Morris Plains, New Jersey 07950

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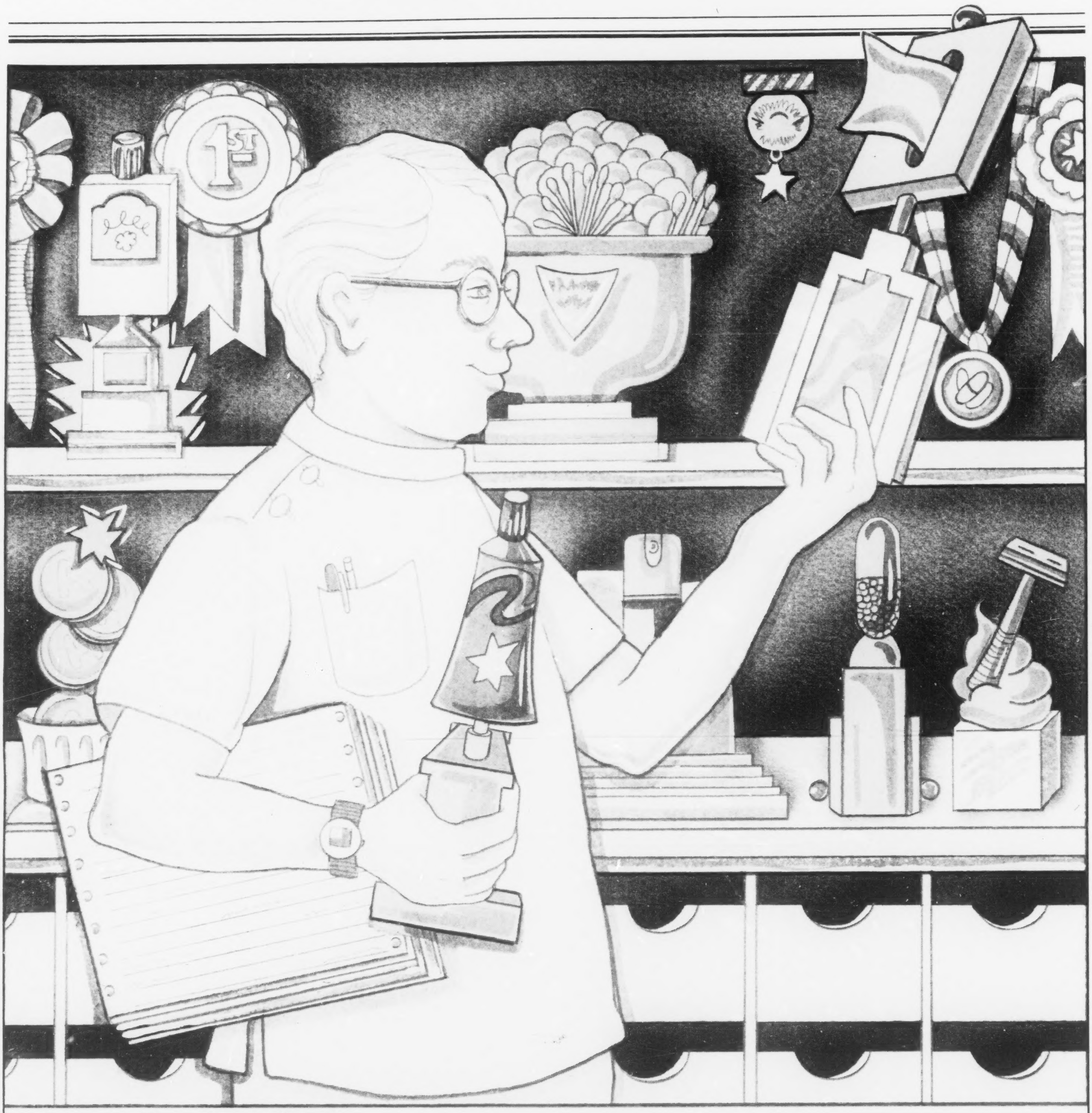
CHAIN STORE AGE
MERCHANDISER



Triple A Product Study

Trophy-winning products are promo hits

Haul out the trophies! It's time for *Drug Store News'* annual listing of the top-selling products in chain drug stores.

These are the national brand items that give chain drug stores their promotional firepower. While the economy seems to be emerging from the doldrums and consumers appear optimistic once again, chain drug stores still need to promote the heavily advertised national brands to generate store traffic and build dollar volume.

As usual, the top-selling list is dominated by health and beauty aids and photo products. On many of these items retailers shave margins razor thin to protect their turf against encroachments by food and discount stores.

The best-seller list also reflects the traditionally strong health care image projected by chain drug stores. Thus, for example, two new entries on the list are products recently converted from prescription to OTC status—Drixoral and Actifed.

The importance to chain drug stores of a strong health care image is readily apparent in *Drug Store News'* recently published Report of the Chain Drug Industry. Fully one-third of the chain drug industry's $28.66 billion in 1982 sales was generated by the prescription and proprietary departments.

The top 100 lists (dollars and units) are again dominated by photo items, dental hygiene products, analgesics, disposable diapers and feminine hygiene products.

Of the first 10 items, ranked by dollar volume, four are films. There are also two feminine hygiene products, a disposable diaper, a skin care product, a toothpaste and a diet control item.

Among the 10 top items ranked by unit movement, three are photo products. There are also two toothpastes, two feminine hygiene products, a prepared baby formula, a lip care product and a disposable razor.

The top 10 list also reflects the strong rebound of Tylenol products after last year's tampering tragedy.

In addition to the top 100 lists, this year's Triple A Product Study also includes most productive items and hundreds of additional products with their price points.

Triple A Product Study

The top 100 items, ranked by dollar volume

Rank	Product	Best selling size
1.	Polaroid SX 70 film	—
2.	Kodak Kodacolor C110	—
3.	Tampax	40s
4.	Kodak Disc film	—
5.	Pampers disposable diapers	12s
6.	Oil of Olay	4 oz.
7.	Stayfree Maxi Pads	30s
8.	Crest toothpaste	6.4 oz.
9.	Kodak PR 10 Instant Print Film	—
10.	Dexatrim Extra Strength	20s
11.	Tylenol Extra Strength tabs	30s
12.	Colgate Dental Cream	7 oz.
13.	Listerine	32 oz.
14.	Drixoral tabs	10s
15.	Allergan Soflens tabs	24s
16.	Gillette Atra	5s
17.	Scope	24 oz.
18.	Centrum	100/30
19.	Metamucil	21 oz.
20.	Huggies	12s
21.	Tylenol Extra Strength tabs	30s
22.	Bausch & Lomb Saline Solution	8 oz.
23.	Bayer Aspirin	100s
24.	Similac Concentrate W/Iron	13 oz.
25.	Vicks Nyquil	6 oz.
26.	Efferdent	60s
27.	Luvs	48s
28.	Kodak Kodacolor C135	—
29.	Anacin	100s
30.	Alka Seltzer Plus	36s
31.	Sudafed tabs	48s
32.	Gillette Trac II	5s
33.	Polaroid ASA 600 film	—
34.	Enfamil Concentrate	13 oz.
35.	Dristan	24s
36.	Sure & Natural Maxi Shields	30s
37.	Bufferin	100s
38.	Ban Roll-On	1.5 oz.
39.	Robitussin DM	4 oz.
40.	Aqua Fresh	6.4 oz.
41.	Tylenol Extra Strength caps	24s
42.	Mylanta liquid	12 oz.
43.	Preparation H suppositories	24s
44.	Vicks Formula 44	3 oz.
45.	Maalox	12 oz.
46.	Isomil Concentrate	13 oz.
47.	Excedrin	100s
48.	Contac	10s
49.	Flex Balsam & Protein shampoo	16 oz.
50.	Vaseline Intensive Care Lotion	10 oz.
51.	Secret Solid Deodorant	2 oz.
52.	GE/Sylvania Flip Flash*	—
53.	Gillette Good News	3s
54.	E.P.T. Pregnancy Test	—
55.	Comtrex tabs	24s
56.	J & J Baby Powder	14 oz.
57.	Close-Up toothpaste	6.4 oz.
58.	Afrin Nasal Spray	15 cc
59.	Sure Solid Deodorant	2 oz.
60.	Theragran M	100/30
61.	Flex Balsam & Protein Conditioner	16 oz.
62.	Pepto Bismol	8 oz.
63.	Mennen Speed Stick	2.5 oz.
64.	Q-Tips	170s
65.	Kodak Kodacolor C-126	—
66.	J&J Baby Shampoo	11 oz.
67.	Suave Balsam & Protein Shampoo	28 oz.
68.	Massengill Disposable Douche	Twin Pack
69.	Kotex	30s
70.	Vidal Sassoon Shampoo	8 oz.
71.	Summers Eve Disposable Douche	Twin Pack
72.	Tinactin Cream	0.5 oz.
73.	Actifed tabs	24s
74.	Aqua Net	9 oz.
75.	GE/Sylvania Magicubes*	—
76.	Complete Cold Tabs	50s
77.	Barbasol Shave	11 oz.
78.	Playtex tampons	28s
79.	Grecian Formula 16	4 oz.
80.	Bic disposable razors	5s
81.	Correctol tabs	30s
82.	Stresstabs 600	60s
83.	Cortaid Cream	0.5 oz.
84.	Preparation H ointment	1 oz.
85.	Aim	6.4 oz.
86.	Edge Shave	7 oz.
87.	Noxema Skin Cream	10 oz.
88.	Mennen Skin Bracer	4 oz.
89.	Visine	0.5 oz.
90.	Gillette Foamy	11 oz.
91.	Ascriptin	100s
92.	St. Ives Shampoo & Conditioner	Twin Pack
93.	Fleets Enema	4.5 oz.
94.	Nature's Organics shampoo	16 oz.
95.	Oral B Toothbrush	—
96.	Alka Seltzer	36s
97.	Chapstick	—
98.	Robitussin	4 oz.
99.	Buf Puf Facial Sponge	—
100.	Vicks Vapo Rub	1.5 oz.

*Ranking represents combined volume from both companies

Source: *Drug Store News* survey

Prescription use, diet slow antacid growth

Antacid and laxative sales last year increased 9.7% and 10.5%, respectively. Both categories had sales increases that were slightly below the overall proprietaries department.

In the antacid category, some manufacturers reported that sales had flattened somewhat. The biggest factor in the slower growth rate has been the increased use of ethical pharmaceutical drugs.

Liquid antacids and tablets are the major sellers in the category. However, effervescent tablets and granules also have shown considerable strength.

Despite these factors, antacids still managed to rack up $297.1 million in sales. Antacids contributed 6.8% of the proprietaries department's sales. In addition, antacids represent the fourth largest OTC drug category. More than 50% of the adult population use antacids, with 12% considered heavy users.

Sales of laxatives, the fifth largest category of OTC products, totaled $268.1 million last year. The category generated 7.9% of the proprietaries department's sales.

Antacids/Laxatives

Product	Size	Everyday price	Avg. promo price	Deep promo price
Colace Capsules 100mg	60s	$10.99	$8.99	$8.79
Correctol Laxative Tablets	30s	3.25	2.57	2.49
Doxidan Capsules	30s	4.69	4.19	4.09
Dulcolax Tablets 5mg	100s	11.75	9.99	9.79
Ex Lax Chocolate	18s	1.99	1.53	1.43
Ex Lax Pills Unflavored	30s	3.29	2.69	2.59
Feen-A-Mint Gum	16s	1.65	1.49	1.39
Fleet Enema Disposable	4.5 oz.	1.07	0.89	0.79
Maalox Suspension	12 oz.	3.59	2.03	1.93
Maalox Plus Suspension	12 oz.	3.89	2.93	2.79
Metamucil Green Label	21 oz.	12.25	8.29	8.09
Metamucil Instant Mix	30 pkts	8.39	5.89	5.69
Milk of Magnesia Phillips	12 oz.	2.49	1.89	1.79
Mylanta Liquid	12 oz.	3.89	2.23	2.09
Mylanta-II	12 oz.	5.49	3.79	3.59
Pepto Bismal	8 oz.	3.09	2.29	2.19

Source: *Drug Store News* survey

Reducing Aids

Product	Size	Everyday price	Avg. promo price	Deep promo price
Dexatrim Caffeine-Free Capsules E-S	40s	$7.99	$6.39	$6.19
Dexatrim Extra Strength Capsules	40s	7.99	6.39	6.19
Dietac Maximum Strength Capsules	40s	8.95	7.47	7.29
Sweet 'n Low Sugar Substitute	100s	1.49	1.19	1.09

Source: *Drug Store News* survey

Chains increase share of reducing aids mkt.

While some manufacturers report that the demand for weight control products may have leveled off, drug chains continue to increase their share of the market.

Many industry observers point out that weight control products are well suited for chain drug stores. Sales of reducing products in chain drug stores last year totaled $192.3 million, an increase of 12.4% over 1981.

Most chains have been successful at merchandising reducing aids products by stocking them in highly visual diet control centers in heavily trafficked areas of the stores, often near the pharmacy department. Pharmacists play a role in answering questions that consumers may have about the product. In addition to displaying reducing products in prominent locations, chains frequently advertise and promote diet product, which has helped build sales volume.

During the past few years, diet aid capsules have emerged as the leading seller in the category. Tablet sales have fallen off somewhat.

Consumers also have shown a preference for the maximum and extra-strength products because they work more effectively. Sales of weight control products containing caffeine have decreased, possibly because of the concern medical authorities have raised about caffeine consumption.

One segment of the weight control category that continues to show growth is appetite suppresant candy products.

While 90% of the chain drug buyers of weight control products are women between the ages of 18-49, most manufacturers believe that an increasing number of men are taking diet pills as a result of the overall move toward health and fitness in the country.

Despite the fact that approximately 50% of all Americans need to lose weight, only a small percentage use diet control products. This has lead some industry sources to say that there still is growth potential in the market.

Triple A Product Study

The top 100 items, ranked by unit volume

Rank	Product	Best selling size
1.	Crest Toothpaste	6.4 oz.
2.	Kodak Kodacolor C110	—
3.	Tampax	40s
4.	Colgate Dental Cream	7 oz.
5.	Kodak Disc film	—
6.	Similac w/iron concentrate	13 oz.
7.	Stayfree Maxi Pads	30s
8.	Chapstick	—
9.	Gillette Good News	3s
10.	Kodak Kodacolor C135	—
11.	Pampers Disposable diapers	12s
12.	Fleets Enema	4.5 oz.
13.	Dexatrim Extra Strength	20s
14.	Tylenol Extra Strength tabs	30s
15.	Listerine	32 oz.
16.	Ban Roll-On	1.5 oz.
17.	Bayer Aspirin	100
18.	Enfamil Concentrate w/iron	13 oz.
19.	Rolaids	—
20.	Bufferin	100
21.	Barbasol	11 oz.
22.	Bausch & Lomb Saline Solution	12 oz.
23.	Massengill Disposable Douche	Twin Pack
24.	Scope	24 oz.
25.	Huggies disposable diapers	12s
26.	Summer's Eve Disposable Douche	Twin Pack
27.	Anacin	100
28.	Vicks Nyquil	6 oz.
29.	Mylanta	12 oz.
30.	Robitussin DM	4 oz.
31.	Polaroid SX 70 Film	—
32.	Oil of Olay	4 oz.
33.	Visine	0.5 oz.
34.	Tylenol Extra Strength caps	24s
35.	Sweet 'n Low	100s
36.	Kleenex	—
37.	Efferdent	60s
38.	Aqua-Fresh toothpaste	6.4 oz.
39.	Oral B toothbrush	—
40.	Bic disposable razors	5s
41.	Pepto Bismol	8 oz.
42.	Maalox	12 oz.
43.	Alka Seltzer Plus	20s
44.	Contac	10s
45.	Aim toothpaste	6.4
46.	Vaseline Intensive Care Lotion	12 oz.
47.	Q Tips	170s
48.	Secret Solid deodorant	2 oz.
49.	GE/Sylvania Flip Flash*	—
50.	Vicks Formula 44D	3 oz.
51.	Sudafed tabs	30s
52.	Tylenol Extra Strength Caps	24s
53.	Vaseline Petroleum Jelly	3.75 oz.
54.	Gillette Trac-2 blades	5s
55.	Mennen Speed Stick	2.5 oz.
56.	Sure & Natural Maxi Shields	30s
57.	Flex Balsam & Protein Shampoo	16 oz.
58.	Close-Up toothpaste	6.4 oz.
59.	Gillette Atra blades	5s
60.	Noxzema Skin Cream	10 oz.
61.	Sure Solid Deodorant	2 oz.
62.	Luvs disposable diapers	48s
63.	St. Joseph Children's Aspirin	36s
64.	Preparation H Ointment	1 oz.
65.	Vidal Sassoon shampoo	8 oz.
66.	J&J Baby Powder	14 oz.
67.	Isomil Concentrate	13 oz.
68.	Kodak Kodacolor C126	—
69.	Allergan Soflens tablets	24s
70.	GE/Sylvania Magicube*	—
71.	Mennen Skin Bracer	4 oz.
72.	Kodak PR 10 Instant Print Film	—
73.	Preparation H Ointment	1 oz.
74.	Excedrin tabs	36s
75.	Dristan	24s
76.	Preparation H suppositories	12s
77.	Vicks Vapo Rub	1.5 oz.
78.	Kotex	30s
79.	Afrin	15 cc
80.	Complete Cold Relief tabs	50s
81.	J&J Baby Shampoo	11 oz.
82.	Edge Shave	7 oz.
83.	New Freedom Maxi Pads	30s
84.	Flex Balsam & Protein Conditioner	16 oz.
85.	Drixoral tabs	10s
86.	Playtex tampons	28s
87.	Dietac Maximum Strength	20s
88.	Suave Balsam & Protein Shampoo	28 oz.
89.	Alka Seltzer	36s
90.	Metamucil	21 oz.
91.	Robitussin	4 oz.
92.	Aquamarine Shampoo	16 oz.
93.	Aqua Net hair spray	9 oz.
94.	St. Ives Shampoo & Conditioner	Twin Pack
95.	Reach toothbrush	—
96.	Gillette Foamy	11 oz.
97.	Nature's Organics shampoo	16 oz.
98.	Grecian Formula 16	4 oz.
99.	Ascriptin	100
100.	Mennen Skin Bracer	4 oz.

*Ranking represents combined volume from both companies

Source: *Drug Store News* survey

Disc leads photo dept. sales to 12.3% increase

Buoyed by several new products, chain drug photo department sales climbed 12.3% to $1.3 billion last year, which represented 4.6% of total chain drug sales in 1982.

The successful debut of the Kodak Disc camera was a major factor in the success of the department last year. The Disc and 35mm category were responsible for the big gains in film sales, which totaled $518 million.

The big story has been the Disc camera. An estimated 4.7 million Disc cameras were sold in the United States within the first seven months of its introduction, according to the 1982-83 Wolfman Report on the Photographic Industry. The Disc is expected to capture an even larger share of the amateur photography market over the next few years as other manufacturers introduce lower-priced versions of the Kodak Disc.

But with the growth of the Disc cameras came the decline of the 110 and 126 camera category. Sales of 110 film were off by as much as 50%, according to the Wolfman Report. Most industry sources expect the 110 and 126 markets to continue to erode as the Disc cameras, which appeal to the same group of consumers, grow in popularity.

Hot items

Film sales accounted for 39.5% of the chain drug photo department volume last year. Still color film sales made up 20.2% of the department's total sales for a volume of $265 million. The instant photography camera market, which shows signs of declining despite heavy advertising by national manufacturers, produced an 8.5% gain in instant picture film sales to $238 million in 1982. However, instant film still represented 18.2% of the department's sales.

Photo needs

Film	Size	Everyday price	Avg. promo price	Deep promo price
Kodacolor II C110	24 exp.	$ 3.56	$2.59	$2.25
Time Zero	—	10.90	7.87	6.50
Kodak Disc	2 pack	6.12	4.93	4.15
Kodak Disc	Single	3.30	2.73	2.50
Flash				
Sylvania Flash Bar	—	4.87	2.39	2.00
Sylvania Super 10 Flip Flash	—	3.68	1.89	1.50

Source: *Drug Store News* survey

Deodorants/Antiperspirants

Product	Size	Everyday price	Avg. promo price	Deep promo price
Ban Roll-On	1.5 oz.	$2.53	$1.63	$1.53
Brut 33 Deodorant Spray	5.5 oz.	2.89	1.99	1.89
Dry Idea A.P. Scented	2.5 oz.	4.29	3.29	2.99
Gillette Right Guard Deodorant	3.0 oz.	2.59	1.99	1.79
Mennen Speed Stick Regular	2.5 oz.	2.69	1.59	1.39
Secret Roll-On	1.5 oz.	2.29	1.67	1.59
Shulton Old Spice Stick Regular	2.5 oz.	2.59	1.87	1.77
Sure Solid Regular	2.0 oz.	2.99	2.39	2.29

Source: *Drug Store News* survey

Deodorants constitute 11% of toiletries sales

Deodorants and antiperspirants remained one of the most important segments of the toiletries department in chain drug stores last year.

Total sales of deodorants and antiperspirants rose 8.5% to $389 million in 1982. The category contributed 11.7% of the overall department sales. Only the handcream and skin care category generated a higher-sales volume.

Sales have continued to rise because more people are using deodorants and antiperspirants, according to industry observers. Industry figures show that more than 90% of all women and approximately 85% of all men use either a deodorant or antiperspirant. In addition, between 20% and 30% use these products more than once a day.

Deodorants and antiperspirants traditionally have received extensive shelf space in drug stores. However, in recent years there have been so many new products and line extensions introduced that some drug retailers have had to reduce facings for some products.

Roll-ons, sticks and nonaerosol products have a strong appeal with consumers. Both the scented and unscented varieties are good sellers. Almost all of the major manufacturers market products.

Drug retailers say this area of the market has been further enhanced by the growing numbers of working women.

Most drug retailers agree that the biggest factor in the deodorants and antiperspirants category is advertising. This is one of the main reasons that smaller manufacturers have not been able to keep up in terms of sales volume with the giants of the industry, whose products are supported with extensive advertising and promotion.

Triple A Product Study

Analgesics sales top $414 million

Analgesics are one of the biggest selling categories in the chain drug proprietaries department. In 1982, sales of analgesics topped $414 million and accounted for 9.4% of the department's sales.

Most retailers agree that the 10.6% sales improvement last year over 1981 would have been considerably higher had it not been for the Tylenol incident last fall.

Most Productive Items

Product	Size
Group I	
Kodacolor C110	24 exp
Kodak Color Disc Film	Single Pack
Kodak Color Disc Film	2-Pack
Kodak C135 Kodacolor	24 exp
Kodak PR-10 Instant Print	
Kodak PR 144-10 Instant Print	2-Pack
Polaroid Sun Film 600ASA	#6600
Sylvania Flip Flash Unit	
Time Zero Supercolor SX-70	
Time Zero Supercolor SX-70	2-Pack
Group II	
Clairol Conditioning Shampoo—Normal	24 oz.
Clairol Conditioning Shampoo—Extra Body	24 oz.
Jhirmack EFA Shampoo—Dry	12 oz.
Jhirmack Gel Shampoo —Normal	12 oz.
Nature's Organic Shampoo	16 oz.
Nature's Organic Shampoo—Extra Body	16 oz.
St. Ives—Aloe Vera	Twin-18 oz.
St Ives.—Jojoba	Twin-18 oz.
St. Ives—Henna	Twin-18 oz.
Vidal Sassoon Shampoo	8 oz.
Group III	
Ban Roll-On Regular	1.5 oz.
Ban Roll-On Unscented	1.5 oz.
Ban Roll-On Fresh Scent	1.5 oz.
Ban Roll-On Regular	2.5 oz.
Mitchum Roll-On Unscented	1.5 oz.
Right Guard Deo Original	1 oz.
Secret Solid Regular	2 oz.
Secret Solid Unscented	2 oz.
Sure Solid Regular	2 oz.
Sure Solid Unscented	2 oz.
Group IV	
Anacin	100s
Anacin-3 Max Strength Tabs	60s
Bayer Aspirin	100s
Bufferin Tablets	100s
Excedrin	100s
Tylenol Tablets	100s
Tylenol Chewable Tabs	30s
Tylenol Extra Strength Caps	50s
Tylenol Extra Strength Tabs	30s
Tylenol Extra Strength Tabs	60s
Group V	
Maalox Liquid	26 oz.
Maalox Liquid	12 oz.
Metamucil Powder	14 oz.
Mylanta Liquid	12 oz.
Nyquil	6 oz.
Pepto Bismol	8 oz.
Riopan Plus Liquid	12 oz.
Robitussin DM	4 oz.
Sudafed Tablets 30mg	24s
Vicks Formula 44-D	3 oz.
Group VI	
Allergan Soflens Cleaner Tablets	24s
Allergan Clean & Disinfect Solution	8 oz.
Braners-Hind Wetting Solution	2 oz.
Bausch & Lomb Daily Cleaner	1½ oz.
Bausch & Lomb Lens Lubricant	0.5 oz.
Bausch & Lomb Saline Solution	8 oz. & 12 oz.
Flex-Care	12 oz.
Preflex Solution	1½ oz.
Soflens Lens Cleaner Kit	#621
Visine Eye Drops Plastic	½ oz.
Group VII	
Aim Toothpaste	8.2 oz.
Aim Toothpaste Family	6.4 oz.
Aqua-Fresh Toothpaste	6.4 oz.
Close-Up Toothpaste Regular	6.4 oz.
Close-Up Toothpaste Mint	6.4 oz.
Colgate	7 oz.
Crest Gel	8.2 oz.
Crest Mint	8.2 oz.
Crest Regular	8.2 oz.
Topol Toothpolish w/Fluroide	3 oz.
Group VIII	
Aquamarine Normal Shampoo	16 oz.
Denorex Shampoo Herbal Fresh	4 oz.
Flex Shampoo Normal	16 oz.
Flex Shampoo Extra Body	16 oz.
Head & Shoulders Lotion	7 oz.
Head & Shoulders Lotion	11 oz.
Head & Shoulders Lotion	15 oz.
Pert Shampoo	15 oz.
Prell Concentrate Tube	1.7 oz.
Selsun Blue Shampoo Normal	7 oz.

Source: *Drug Store News* survey

Still, the analgesics category managed to rebound and expand at a good rate. This was partly due to the strong showing of the extra strength formulas. The extra strength and arthritis products are expected to be the wave of the future, according to many buyers.

Sales of arthritis formulas will increase steadily because the average age of Americans will continue to rise throughout the 1980's.

Growth in the category also has been fueled by the fact that greater numbers of people are turning to analgesics in an effort to reduce expensive visits to doctors. The depressed economy during the past year was a factor in the trend toward more self-medication.

The extra and maximum strength analgesics have also satisfied consumer demand for pain killers that offer faster and longer-lasting relief. Turns in this category were particularly good, some OTC buyers reported.

Children's aspirin remained a valuable segment of the analgesic market. This category should continue to improve as the baby boomers from the 1950's start families of their own.

The success of analgesic product still depends on how much advertising support the manufacturer gives it, which is the case with many OTC drugs. This can be seen in the list of leading analgesics where the top-selling products are also among the most heavily advertised.

Analgesics

Product	Size	Everyday price	Avg. promo price	Deep promo price
Anacin Tablets	100s	$4.79	$2.83	$2.75
Bayer Aspirin Tablets 5gr	100s	3.19	1.87	1.79
Bufferin Tablets	100s	4.99	3.33	3.19
Excedrin Extra Strength Tablets	100s	5.89	3.89	3.79
Tylenol Extra-Strength Capsules	100s	8.39	5.89	5.69
Tylenol Tablets 325mg (5gr)	100s	4.99	3.19	2.99
Tylenol Tablets 500mg Extra-Strength	100s	6.79	4.69	4.49

Source: *Drug Store News* survey

Triple A Product Study

Interest in sports means strong foot care year

Footcare

Product	Size	Everyday price	Avg. promo price	Deep promo price
Aftate Foot Spray Liquid	4 oz.	$3.79	$3.57	$3.29
Desenex Ointment	1.8 oz.	5.19	3.79	3.69
Scholl Zino Callous Pads	12s	1.49	1.49	1.29
Scholl 2 Drop Corn Callous Remover	9/16 oz.	1.89	1.89	1.75
Scholl Hard Skin Reducer	—	2.69	2.69	2.29
Super-Tuff Odor Eaters	pair	2.79	2.79	2.59
Tinactin Cream 1%	15gm	4.79	3.59	3.39
Tinactin Powder Aerosol	100gm	4.19	3.37	3.19

Source: *Drug Store News* survey

With more Americans becoming increasingly active in sports and physical activities, it's not surprising that sales of foot care products and other sports medicine products have not lagged far behind.

In 1982, sales of foot care products totaled $137.1 million, an increase of 11.1% over the year before. Foot care sales represented 3.1% of the OTC department sales.

Among the most common afflictions consumers seek relief from in the foot care category are athlete's foot, corns, calluses, bunions and nail diseases.

While much of the increase in foot care sales has been attributed to the rise in popularity of running in this country, another factor has entered into the picture. In addition to weekend runners, nonathletic consumers are becoming aware of medical problems associated with the foot and are taking measures to prevent them from occurring.

Products such as foot sprays and ointments for athlete's foot, various types of foot pads, arch supports, callus removers and odor removers are among the best-selling items in the foot care category.

But foot ailments are just a segment of the sports medicine category. A recent study by the Consumer Products Safety Commission revealed that 11 million people were injured last year in sports related activities. And injuries are increasing at a rate of 8% a year.

The injuries range from sprains and muscle strains to blisters, abrasions and lacerations. Nearly all chain drug stores carry products to treat these problems. Perhaps more importantly, drug retailers in recent years have realized the potential of the sports medicine market and are now merchandising the various products that provide relief from sports injuries in a separate sports medicine section.

The most common types of products include: bandages, braces, supports, cushions, rubs, ointments and analgesics.

Triple A Product Study

Wide selection accounts for skin care increase

The skin care category was among the most dynamic of all in the toiletries department last year, rising 10.1% to $395 million in chain drug stores and accounting for 11.7% of department sales.

Two reasons for the growth are the depth and breadth of assortment that chain drug stores are able to offer and the professional advice available from cosmeticians as well as pharmacists.

Because of the ever-changing trends in this area, drug chains must keep on top of the category, and one of the best tactics has been to follow hair care sales. For instance, aloe vera and jojoba have been big sellers in hair care and are now key ingredients in skin care.

Established skin care items also dominate this category and these steady performers often head chain's top promotional list. With these items often on ad, gross margins frequently dip below 20%.

Today's emphasis on skin care has stretched further than lotions and creams with bath products now showing strong sales gains. The bath category, for example, showed a 9% increase in sales last year to $151.5 million.

New developments

Plus, buyers report that sales are being generated by the more expensive bath products. To this end, chains are adding bath boutiques to the stores.

Suntan/sunburn products are another important category in skin care. This category represents a $153.5 million market for chains and the figure keeps growing as more consumers seek greater protection from the damaging rays of the sun. Various consumer groups have alerted consumers to the value of sun protection factors and shoppers now buy several products, varying in SPF degree.

Skin Care

Product	Size	Everyday price	Avg. promo price	Deep promo price
Creams and Lotions				
Esoterica Facial Cream	3 oz.	$7.00	$6.19	$5.49
Night of Olay Vitalizing Cream	2 oz.	8.12	5.89	5.59
Nivea Creme	6 oz.	3.99	3.19	2.89
Noxzema Skin Cream	10 oz.	3.39	2.39	2.29
Oil of Olay Fluid	4 oz.	7.65	3.93	3.79
Ponds Cold Cream	3.5 oz.	3.29	2.93	2.73
Porcelana Medicated Cream	4 oz.	8.25	7.49	6.99
Depilatories/Bleaches				
Jolene Cream Bleach	1 oz.	3.00	2.29	1.99
Nair Hair Remover Lotion	4 oz.	2.69	2.39	1.79
Neet Lotion with Cocoa Butter	4 oz.	2.69	2.30	1.79
Lotions/Oils				
Jergens Lotion Fliptop Dispenser	6 oz.	2.13	1.79	1.59
Johnsons Baby Lotion	9 oz.	3.09	2.49	—
Johnsons Baby Oil	10 oz.	3.79	2.79	2.49
Keri Lotion	13 oz.	7.69	6.19	—
Lubriderm Lotion Scented	8 oz.	4.19	3.49	—
Nivea Moisturizing Lotion	10 oz.	2.99	2.49	2.29
Ponds Cocoa Butter Lotion	12 oz.	3.19	2.69	2.49
Pretty Feet & Hands	3 oz.	4.59	4.59	4.19
Vaseline Dermatology Formula	11 oz.	5.69	4.79	4.49
Talcs				
Cashmere Bouquet Powder	10 oz.	2.79	2.49	—
J&J Baby Powder	14 oz.	3.19	2.09	1.89

Source: *Drug Store News* survey

Miscellaneous skin care

Product	Size	Everyday price	Avg. promo price	Deep promo price
Compound W	2.5 dr	$3.19	$2.59	$2.39
Freezone	2.5 dr	2.19	2.19	2.09
Off-Ezy Wart Remover	0.5 oz.	3.29	3.29	3.09
Outgro	2.5 dr	3.59	3.59	3.19

Source: *Drug Store News* survey

Twin-packs become hot sellers in hair care

Twin-packs, naturals and conditioning products are the fastest movers in the lucrative chain drug hair care market.

Most shoppers now prefer to use both a shampoo and conditioner and will often buy within brand lines. This trend has been so strong that many customers purchase twin packs featuring both a shampoo and a conditioner.

While many stick with traditional products, most people are fickle when it comes to hair care and will try every new product in search of a "perfect head of hair." The newest craze is shampoos and conditioners with natural ingredients such as aloe vera, jojoba, henna and EFA.

Specialized shampoos, especially those with conditioning properties, were also popular, according to *Drug Store News'* survey.

Although shampoos and conditioners are the best sellers, other hair care categories are gathering steam. Hair sprays gained favor last year with many consumers extending their shampoo and conditioner preference to sprays.

Drug chains still control the perm market and the color business. Vendors have been investing heavily into both of these areas and the result has been exciting new products that are solidly backed by the manufacturer. Perm sales remained strong in 1982 and so far in 1983.

But, by far the best news is that color will show big gains, retailers believe, as the population ages, leaving more people with graying hair. Light browns and blonds appear to be the favored coloring shades.

The current trends in hairstyling—perms, layers and short cuts—demand care including conditioning and spraying. Therefore, the future of hair care is very bright in chain drug stores. For 1983 and 1984, retailers expect to see more products complete the path from salon to retail.

Hair Care

	Size	Everyday price	Avg. promo price	Deep promo price
Permanents				
Rave Home Perm Complete Kit	—	$7.99	$6.69	$6.30
Rave Home Perm Refill, Extra Curly	—	4.99	3.89	3.59
Toni Home Regular	4 oz.	5.79	4.79	4.44
Hair Sprays				
Adorn Extra Hold	9 oz.	3.79	3.07	2.82
Alberto VOK5 Hard to Hold	7 oz.	3.39	2.73	2.23
Aqua Net Super Hold	9 oz.	1.99	1.29	1.19
Clairol Final Net Unscented	12 oz.	4.99	3.73	3.43
Miss Breck Super Hold	9 oz.	2.69	1.63	1.39
Shampoos				
Faberge Organics Normal	15 oz.	1.89	1.33	1.19
Head & Shoulders Dandruff Regular	7 oz.	2.59	1.89	1.39
Johnsons Baby Shampoo	16 oz.	4.69	3.19	3.00
Jhirmack E.F.A.	8 oz.	3.59	2.47	2.19
Pert Shampoo Norm/Dry	15 oz.	3.79	2.89	2.29
Prell Concentrate Tube	1.7 oz.	1.33	1.33	1.00
Revlon Flex Balsam & Protein Normal	15 oz.	3.19	1.89	1.49
Sebutone	4 oz.	5.15	4.39	3.50
Selsun Blue Normal	7 oz.	5.59	4.73	4.50
Silkience X-Body	-7 oz.	2.79	1.83	1.50
Vidal Sassoon	8 oz.	3.69	2.23	2.00
Zincon Dandruff Shampoo	4 oz.	3.29	3.29	2.90

Source: *Drug Store News* survey

Black hair care items lead ethnic mkt. increase

Chain drug stores account for about 45% of all black hair care sales, making ethnic hair care one of the fastest moving health and beauty aid items in the chain's mix.

Last year, black consumers spent about $800 million on hair care items. The major reason this market is so large is that the typical black consumer purchases more products for hair maintenance than white shoppers.

Hair dressings, hair food, curly kits, and other products used to style black hair are fast movers for chains. In fact, the curl look has really ignited the whole industry because this one look requires several products. As sales continue to soar, chains are adding more space to ethnic products. Since the category changes so frequently, many retailers rely on outside sources to help keep the selection current.

Departments in most chains now range anywhere from 4 ft. to 30 ft. and more chains are including ethnic items in stores with even less than 10% of ethnic traffic.

Chains should merchandise all ethnic items together, sources explain, because the shopper wants a special area.

Ethnic hair care

Product	Size	Everyday price	Avg. promo price	Deep promo price
Care Free Curl Instant Moisturizer	8 oz.	$4.05	$4.05	$3.90
Dark & Lovely Relaxer Kit	—	8.21	8.21	7.57
Johnsons Classy Curl Permanent Curl Kit	—	9.95	9.95	7.99
Johnsons Gentle-Treatment Kit	Regular	8.95	8.95	7.79
Revlon Realistic Creme Relaxer Kit	Regular	7.95	7.33	6.99
TCB Curl Activator Tube	6 oz.	3.50	3.50	3.29
TCB Hair & Scalp Conditioner	8 oz.	4.00	4.00	3.47
Sta-Sof-Fro Hair Spray Oil Sheen X-dry	8 oz.	3.55	2.99	2.27

Source: *Drug Store News* survey

Triple A Product Study

Tampons still top sellers in feminine hygiene

Today there are many forms of feminine protection available and this multiplicity has made it common for the shopper to buy three or four different products at one time.

For instance, many women prefer to buy tampons, pads and mini pads that are designed for lighter flows. This "systems" approach to feminine hygiene resulted in a 12% increase in chain drug sales of these goods to a record $324 million in 1982.

Tampons and maxi pads lead the pack, with tampons being the preferred form of protection. In fact, tampons have not been affected by the Toxic Shock Syndrome fears that hit the industry in 1980 and most experts expect tampons to continue to outperform napkins.

In the meantime, more women are adding slimmer pads and mini pads to their shopping lists. These products are not cannibalizing the pads and tampons because shoppers mix both protection forms. It is estimated that women use about 15 units—tampons or pads—per menstrual period.

Feminine Hygiene

Product	Size	Everyday price	Avg. promo price	Deep promo price
Playtex Deodorant Tampons Super	16s	$2.49	$2.19	—
New Freedom Maxi	12s	1.99	1.69	—
OB Tampons Regular	30s	3.59	2.99	$2.79
Sure & Natural Maxishields	12s	2.09	1.83	1.69
Stayfree Deodorant Maxi-Pads	30s	4.59	3.59	3.29
Tampax Original Regular	40s	3.84	2.89	2.59

Source: *Drug Store News* survey

Most women are buying supplies in the large sizes, with 40's and 30's being the preferred quantities. Brand names still dominate this market although private label brands are available.

Today's concentration on cleanliness has created a separate rise in douche sales. The twin packs of douches are the best movers for chain drug stores. Plus, these items are rarely promoted and provide extremely healthy gross margins to chains.

Dental

Product	Size	Everyday price	Avg. promo price	Deep promo price
Brushes/Flosses				
Johnsons Dental Floss waxed	50 yd.	$1.39	$1.23	$0.99
Oral B 35 Adult Toothbrush	—	2.09	1.49	1.19
Oral B 40 Adult Toothbrush	—	2.09	1.49	1.19
Oral B 60 Adult Toothbrush	—	2.09	1.49	1.19
Reach Toothbrush Medium	—	1.89	1.49	1.09
Reach Toothbrush Soft	—	1.89	1.49	1.09
Mouthwash/Breath Products				
Bianca Breath Spray Golden	0.2 oz.	2.09	2.09	1.49
Chloraseptic Mouthwash Menthol w/Spray	6 oz.	3.29	2.79	2.59
Listerine Mouthwash	32 oz.	5.49	3.13	2.89
Listermint Mouthwash	24 oz.	4.59	3.29	3.09
Scope Mouthwash	40 oz.	5.89	4.09	3.89
Toothpaste				
Aim Toothpaste Regular	6.4 oz.	2.49	1.53	1.13
Aqua-Fresh Toothpaste	6.4 oz.	2.49	1.63	1.29
Crest Toothpaste Mint	6.4 oz.	2.49	1.49	1.29
Crest Toothpaste Regular	6.4 oz.	2.49	1.49	1.29
Colgate Toothpaste	7 oz.	2.49	1.39	1.25
Topol Toothpolish w/Fluoride	7 oz.	6.00	5.19	4.19
Denture Care				
Efferdent Denture Tablets	96s	4.89	3.59	3.29
Fixodent Denture Adhesive Cream	2.5 oz.	3.79	2.99	2.29
Polident Denture Tablets Giant	84s	4.29	3.49	2.89
Rigident Denture Retainer	3 oz.	3.95	3.95	—

Source: *Drug Store News* survey

Gels account for 50% of '82 toothpaste sales

Chain drug dental department sales increased 11.4% to $402.4 million last year as a result of the heightened consumer concern for preventive dental care.

Drug stores still control a healthy part of the toothpaste market, which is estimated at $900 million in retail sales. Approximately 25% of the sales volume is generated by drug stores. Supermarkets have about 66% of the market. Mass merchandisers account for 15% of the retail sales.

For the first time since they were introduced in the early 1970's, sales of gel toothpastes in 1982 made up more than 50% of the market. Some industry observers believe that gel toothpastes will capture a major portion of the market by the end of the decade. Nearly every major toothpaste manufacturer now has a gel entry.

The toothbrush category continues to contribute heavily to chain drug dental department sales. Toothbrush profit margins frequently average 40% off promotion and between 15% and 20% during promotions. The category is dominated by three major national manufacturers. However, private label brands have managed to capture an increasing share of the market.

Supermarkets represent about 44% of the $200 million retail toothbrush industry. Drug stores hold a 39% share and mass merchandisers account for the remainder.

In the mouthwash and breath freshener products category, drug chains last year increased sales to $147.4 million, up 10.6% over 1981. Chain drug stores account for about 30% of the entire mouthwash market. Supermarkets lead the category with just over 50%, while mass merchandisers have an estimated 17%.

As the population ages, sales of denture products are expected to show continued growth. Drug chains trail supermarkets in the cleanser category with 38% of the market, compared to 42% for supermarkets. Denture adhesives, however, are still dominated by chain drug stores, which hold a 41% market share. Supermarkets and mass merchandisers have 37% and 18%, respectively.

Demographics change affects ointment sales

The external medications category, which includes ointments, acne preparations, creams and suppositories, increased by 6.1% in 1982 to $64.8 million.

Leading the new products in the ointments category were the hydrocortisones, which are marketed by a number of companies. Since they were granted OTC status from the F.D.A. in the early part of the decade, a number of manufacturers have rushed products to the market. The result has been a crowded field dominated by about five big sellers. However, many drug retailers say that the market cannot support all the hydrocortisone products and believe a shakeout is inevitable.

A shrinking market is just one of the problems that the acne preparation market faces. The category's primary users, teenagers in the 14-17 age group, has been steadily decreasing. In addition, there have been several recent developments from medical researchers in the area of acne treatment, which may result in newer, more effective prescription products coming on stream in the next few years.

Drug retailers paint a rosier picture for the hemorrhoidal preps, antibiotics and anticeptics categories.

The consumer trend toward self medication has boosted sales of analgesic and counterirritant ointments. Also, this category should be aided by the shift in age groups under way within the country. Users of these types of products tend to be older and as the number of people over the age of 55 increases, sales of ointments for such ailments as backaches, strained muscles and arthritis are expected to strengthen.

Another factor in the expansion of the analgesic and counterirritant ointments category has been the increase in the number of Americans who are participating in sports and other recreational activities.

Medicated external products

Product	Size	Everyday price	Avg. promo price	Deep promo price
Acne Preps				
Buf-Puf Cleansing Sponge	—	$3.69	$3.19	$2.89
Clearasil Super Tinted Acne Cream	1 oz.	4.39	3.97	3.75
Oxy-5 Acne Medication	1 oz.	3.62	3.09	2.89
Oxy-10 Extra-Strength Acne Medication	1 oz.	4.83	4.29	3.89
Phisoderm	9 oz.	4.49	3.77	3.59
Hydrocortisone/Anti-Itch Preps				
Benadryl HCl Cream	1 oz.	4.79	4.79	4.59
Caladryl Lotion	6 oz.	4.59	3.79	3.49
CortAid Cream ½%	1 oz.	4.79	3.99	3.79
CortAid Ointment ½%	½ oz.	3.29	2.69	2.59
Domeboro Powder Packets	12s	6.49	6.49	6.29
Lanacort Hydrocortisone Cream ½%	1 oz.	3.49	3.17	2.89
Hemorrhoidal Preps				
Anusol Hemorrhoidal Suppositories	24s	7.09	5.79	5.19
Preparation H Ointment Tube	1 oz.	3.19	2.37	2.19
Preparation H Suppositories	12s	4.19	3.03	2.89
Tronolane Hemorrhoidal Suppositories	10s	3.59	3.07	2.89
Tucks Medicated Pads	100s	5.99	4.83	4.59
First Aid/Antibiotics/Antiseptics				
A-200 Pyrinate Liquid	2 oz.	4.99	4.37	4.19
Absorbine Jr.	2 oz.	2.09	1.87	1.79
Aspercreme	3 oz.	3.69	2.89	2.69
Ben Gay Extra Strength Balm	3.75 oz.	4.99	3.99	3.79
Ben Gay Greaseless Tube	3 oz.	4.39	3.49	2.99
Ben Gay Greaseless-Stainless	1.25 oz.	2.29	1.73	1.59
Cruex Spray Powder	3.5 oz.	4.29	3.79	3.59
Icy Hot	3.5 oz.	4.49	3.57	3.29
Neosporin Ointment Tube	1 oz.	4.73	3.49	3.29
Sea Breeze Antiseptic	10 oz.	4.29	3.93	3.89

Source: *Drug Store News* survey

Triple A Product Study

Cough/Cold				
Product	**Size**	**Everyday price**	**Avg. promo price**	**Deep promo price**
Cough Drops				
Chloraseptic Cherry Lozenges	18s	$2.09	$1.73	$1.63
Hold Adult	10s	1.99	1.99	1.89
Sucrets Mentholated Sore Throat Lozenges	24s	2.69	2.03	1.99
Liquid/Sprays/Lip Balms				
Afrin Nasal Spray	0.5 oz.	4.09	2.37	2.29
Blistex	0.14 oz.	0.99	0.79	0.69
Primatene Mist w/Mouthpiece	15 cc	8.09	6.49	6.19
Robitussin-DM	4 oz.	3.39	2.39	2.29
Vicks Formula 44 Cough Mixture	3 oz.	3.19	1.99	1.89
Vicks Nyquil	6 oz.	4.59	2.73	2.69
Vicks Sinex Long Acting Decongestant Nasal Spray	0.5 oz.	3.29	2.73	2.59
Tablets/Capsules				
Chlor-Trimeton Allergy Tablets 4mg	100s	8.98	7.07	6.89
Contac Capsules	20s	6.15	3.53	3.39
Dristan Tablets	50s	6.49	4.97	4.79
Sudafed Tablets 30mg	24s	2.87	2.59	2.47

Source: *Drug Store News* survey

Cough/cold records 10% overall sales jump

The entry of several prescription cough/cold remedies into the OTC cough/cold category made things very interesting last year.

Overall, the cough/cold category, not including analgesics, was up 10.7% for total sales of $760.8 million.

While several of the converted cough/cold products got off to a promising start and quickly gained a share of the market, many buyers reported that they were not sure at whose expense because sales were up almost across the board.

More winners

In 1982, sales of cold capsules and tablets reached $363.7 million, an increase of 11.9% over the year before. Cold capsules and tablets, which are among the fastest-growing segment in the category, produced 8.3% of the OTC department's total sales.

The other major segment of the cough/cold category, cough syrups and expectorants, was up 11.1% over 1981 with sales totaling $258.9 million. Buyers say that a new generation of 12-hour cough syrups may eventually tap the market share of some of the traditional eight-hour formulas. Cough syrups and expectorants generated 5.9% of the OTC department's sales.

Liquid cold preparations continued to be a good seller among consumers who have difficulty swallowing pills. In addition, the liquid preps are used by many cold sufferers during the nighttime hours.

Sales of lozenges, rubs and nasal sprays reached $108.1 million in 1982, a 10.6% improvement from 1981. Nasal spray products that promise long-acting relief sold particularly well, buyers said.

Cough/cold remedies that offer several hours of combined relief from congestion, coughing, muscle aches and fever sold briskly because they provide convenience. Most consumers would rather take one cough/cold product than four or five different medications.

Drug retailers believe that cough/cold remedy sales will continue to be strong in 1983, and some buyers say the overcrowded field will lead to a shakeout next year.

Vitamins still muscle behind proprietaries

The leader in the proprietaries department once again last year was the vitamin and nutritional supplement category.

The category continued to gain momentum as sales grew in 1982 by 13.4% to $439.6 million. Vitamin sales accounted for 10% of the total sales volume in the proprietaries department.

The American preoccupation with health and fitness is cited as the overriding reason for the steady growth of vitamin sales. In addition, volume was also boosted by the new vitamin and nutritional centers, which have been established by a number of chains.

Heavy competition

Drug stores have taken a more aggressive position with vitamins primarily because of the challenge by supermarkets. Supermarkets, lured by the 40% margins that are typical in the vitamin business, pose the single-biggest threat to drug retailers' controlling share of the market.

The gains made by supermarkets are clearly apparent in a recent report for the Council for Responsible Nutrition, a Washington trade association. According to the report, supermarkets managed to increase their share of the vitamins market from 14% to 15% last year. Health food stores lost 1% of the market in 1982 and now generate 28% of the retail vitamin sales. Chain drug stores and other mass merchandisers, which the association groups together, saw their market share diminish slightly from 31% in 1981 to 30% in 1982.

There were significant shifts among the three major categories of vitamins, the report said. Multiple vitamins produced industry sales of $872 million, but represented 39% of the market last year, compared to 40% in 1981. Vitamin C products accounted for 22% of the total vitamin sales last year, an increase of 1% over the year before. Vitamin E, the third major category, generated industry sales of $351 million. Its market share fell from 17% in 1981 to 16% last year.

Drug chains did particularly well last year with private label brands, which are priced substantially lower than branded products. However, branded vitamins still remained the big seller in the category.

Vitamins/Tonics				
Product	**Size**	**Everyday price**	**Avg. promo price**	**Deep promo price**
Centrum Multi Vitamin/Mineral Formula	100s/ 30 Free	$11.75	$7.93	$7.79
Geritol Tablets	100s	11.09	8.09	7.89
Myadec Vitamin Tablets w/Zinc	130s	12.99	9.89	9.69
One-A-Day Multiple Vitamin plus Iron	100s	7.19	4.59	4.39
Os-Cal Tablets	100s	7.69	6.99	6.69
Stresstabs—600 + Iron	60s	7.99	6.69	6.39
Theragran Tablets	100s	10.99	7.69	7.49
Theragran M Tablets	100s	11.49	7.63	7.39

Source: *Drug Store News* survey

CHAIN STORE AGE
MERCHANDISER

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DRUG STORE NEWS

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High-ticket blister packs raise mixed reviews from retailers

Drug retailers have mixed feelings about new blister packaged products.

NEW YORK—Blister packaging, a growing practice among manufacturers attempting to garner additional retail outlets for their products, is drawing mixed reviews from drug retailers.

In the past year, an increasing number of products that were previously only packaged in boxes have been blister packed on cards designed to hang on J-hooks. In many cases these products are high ticket items, not the traditional low end products that are commonly found blistered in drug chains across the country.

Manufacturers of such products as personal care appliances, watches, calculators, cameras, audio and video cassettes and even video games have turned to blister packaging as a means of selling their products to consumers but retailers contacted by *Drug Store News* have mixed reactions to the new trend.

One of the most frequent complaints is that blister packing cheapens the appearance of products like personal care appliances and cameras, which are often purchased by consumers as gifts. Others say that despite assertions by manufacturers that blister packing stimulates impulse buying, they do not.

On the positive side, retailers

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NACDS proposes clustering future education meets

CHICAGO—The National Association of Chain Drug Stores is moving toward several far-reaching changes in the scheduling and structure of its educational meetings, president Robert J. Bolger, reported at the association's merchandising conference here.

The primary change would be to "cluster" certain meetings, formerly held separately, in the same location and at the same time. Bolger said the first evidence of this "repackaging of meetings" may occur next year.

The NACDS executive committee, which met just prior to the merchandisings conference, was leaning toward starting with three "nontrade" meetings—scope, loss prevention and management information systems, he said. The committee was strongly considering New Orleans—which will have a World's Fair in 1984—as the site of the first experiment.

Bolger said the Executive Committee has also considered inviting suppliers to exhibit products at one or more of these expanded meetings. "Whether we would charge these exhibitors or not we don't know," he told *Drug Store News*.

Bolger emphasized that the proposed changes were "not set in concrete" and that there would be more work done on the proposal before "bringing it back to the [NACDS] board."

At the same time NACDS chairman Henry A. Panasci Jr., announced that the association is beginning to develop a "comprehensive industry library" as well as a home study course aimed at improving management skills.

Panasci estimated that the library would cost $250,000 to develop.

He said the association was working with Cornell University to devise the course and a preliminary text has already been developed.

2 major chains adopt electronic mail system

By Mike Dunn

COLUMBUS, Ohio—Walgreens and Medi-Save Pharmacies Inc. have become the first major drug chains to sign on to an electronic mail system that is expected to cut their delivery time from manufacturers in half and improve accuracy by 90%.

Although Eckerd last year also connected with an electronic mail system operated by General Electric Information Services, that project was a test that Eckerd ended seven months ago.

Walgreens, however, has been fully committed for three months to the Ordernet system operated by Columbus-based Informatics General Corp.

Medi-Save is in the process of connecting its computers to the system via telephone lines.

"It will be valuable to eliminate much of our paper handling and improve our accuracy," said Kerry LeBlanc, manager of data processing for Medi-Save.

"Our first objective is to save man-hours. A buyer doesn't have to sit down with a salesman. He can just call an order

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Plan acts as translator

COLUMBUS, Ohio—The Ordernet electronic mail system works exactly like a language translator.

The retailer punches orders to all vendors on the system into his own computer system. The retailer's computer sends the complete order over telephone lines to the Informatics computer in Columbus.

The Informatics computer separates the order, and translates it into the computer language (or software) spoken by the vendor's computer. Each order is then sent to the appropriate vendor. The vendors call their electronic mail boxes at Informatics and collect their orders from all of the retailers and wholesalers connected to the system.

Manufacturers and distributors call the Informatics computer between one and four times a day. Informatics charges the same fees to both.

It costs $400 to start up and the monthly base fee is $75. There is a $2.15 package charge, and each transaction costs $45 per minute. The average transaction takes three minutes.

Revco Drug '83 earnings climb 34%

TWINSBURG, Ohio—Tighter cost controls, reduced inflation and interest rate levels and improved operating performance by its former Skillern drug stores boosted fiscal 1983 earnings at Revco Drug Stores 34% ahead of last year's pace on a 15% gain in sales.

Net earnings for the year ended May 28 rose $66.5 million, or $2.13 per share, on sales of $1.8 billion, compared to earnings of $49.6 million or $1.62 per share, on sales of $1.6 billion in the prior year.

Revco chairman Sidney Dworkin cited several factors for the sharp rise in profits, including "the leveraging effect that increased sales have on earnings when costs are under good control."

Dworkin said the slowing of inflation during the past year also helped boost profits, resulting in a per-share LIFO charge of 20¢ vs. 30¢ in the prior year. The company's overall inflation index was pegged at 4% in 1983, two percentage points below the 1982 index.

Sales in like-stores (those open for one year or more) increased 12.3%, marking a

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LATE NEWS

A HOUSE-SENATE subcommittee has filed a "friend of the court" brief urging the Supreme Court to reject Reagan Administration proposals to revive Fair Trade style resale price maintenance restrictions aimed against drug chains and other retailers.

The brief, filed late last month, was just one of a flurry of petitions opposing the Justice Department's recent request for a ruling to strike down the court's 70-year-old *per se* ban on manufacturer restrictions against retail price cutting.

All of the briefs were promoted by a request, made earlier this year by Justice Antitrust Chief William Baxter, asking the Court to effectively legalize resale price fixing on the grounds that RPM may be a "procompetitive device".

Walgreens pumps up its exercise depts.

By Jim Ricchiutti

DEARFIELD, Ill.—Three years after introducing exercise products into some of its drug stores, Walgreens plans to establish an expanded exercise department in a number of its stores across the country.

According to Dick James, Walgreens' divisional merchandise manager, the chain elected to expand its assortment of exercise devices because "the existing items have been selling very well."

The new exercise centers, which are scheduled to be introduced into a "fairly substantial" number of stores beginning in September will include such products as sauna suits, exercise mats, ankle weights, multiposition gymnastic rowing machines and slant boards.

Prior to deciding to go with a bigger mix of fitness equipment, Walgreens had been selling trampolines, smart bells and waist trimmers.

James said that many of the new items would continue to be merchandised in in-line gondolas within the promotional area of the stores. The departments will carry "Exercise Equipment Department" signs as well as feature signage and promotional material provided by manufac-

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Exercise products are promoted with diet aids in an endcap display in a Midwest Walgreens store.

—News in brief—

A&P eyes low-margin chain

MONTVALE, N.J.—Developing a chain of low-margin drug stores is one of the items on A&P chairman James Wood's priority list. Locations, according to Michael J. Rourke, vp communications, probably will be small-sized A&P units or Plus stores whose leases have not been sold.

The deep-discount format most likely will not operate pharmacies, but will have a strong drug/general merchandise presentation. Initial openings have not been set. "Wood has a long priority list and nothing has been decided," Rourke added.

He did report, however, that expansion is planned for the Family Mart combination store format and two new stores are in the works. That will bring the Family Mart total to 24.

Hook sales up 11.5%

INDIANAPOLIS—Hook Drugs Inc. reported 1983 second quarter sales of $78.6 million, up 11.5% over the year before. During the same quarter, earnings grew a strong 30.7% over the comparable quarter in 1982, or $1.9 million against a net income of $1.4 million. Reported on the basis of earnings per share, Hook's earned 44¢ in its 1983 quarter, up 11¢ over 1982. Sales for the first six months of 1983 rose 14.8% to $153.5 million while earnings were up 103.6% to $3.8 million vs. the $1.9 million earned in 1982, a soft year for the chain.

Peoples expects 3rd-quarter rise

ALEXANDRIA, Va.—Sheldon W. Fantle, president and ceo of Peoples Drug, expects a 50% profit increase in the third quarter, ended July 2. When the figures are reported, Fantle said the results should show a net income of $2.7 million to $3 million, or between 35¢ and 40¢ per share, vs. $1.9 million, or 26¢ per share in the same quarter in 1982. Per share figures are adjusted to reflect a 5-for-4 split.

Sales, Fantle reported, rose 16% to $184 million.

Brooks logo tops 6 more stores

PAWTUCKET, R.I.—Adams Drug Co. has converted its five Kent Drugs and one Leighton's Pharmacy in Binghamton, N.Y., to the Brooks Drug name. Adams, which operates 430+ pharmacies and health and beauty aid outlets, has been undergoing a major program to establish the Brooks logo. During the past two years, more than 140 stores have been changed, bringing to 320, the number now under the Brooks logo. The conversion included extensive remodeling and remerchandising of all major departments.

Revco acquires 8 Sommers stores

TWINSBURG, Ohio—Revco Drug Stores has purchased for an undisclosed amount eight of the 12 remaining Sommers Drug Stores in the Austin and San Antonio, Tex., areas from Memphis-based Malone & Hyde Inc. Malone & Hyde acquired the Sommers chain of approximately 50 stores in the late 1970's, and subsequently closed or sold most of them, primarily to Eckerd Drug. Revco, which closed two of the eight stores it purchased, currently operates approximately 1,700 stores.

Pay Less NW tests nutrition sections

WILSONVILLE, Ore.—Pay Less NW will make a decision on its nutrition sections by the end of 1983.

Currently, the chain is testing the 20-ft. to 24-ft. natural product sections (one side of a gondola) in nine stores, five in California and four in Oregon. One or two more stores will be added to the test program in the next several months.

Pay Less NW has been on test since March 1983. The mix consists of health and beauty aids, vitamins and snacks. There are no refrigerated or frozen foods.

In setting up the natural product section, the store transfers vitamins from the front of the pharmacy to a gondola side across from the natural product section. Thus, the natural vitamins in the natural product section form a vitamin valley.

In the new Albany, Ore., store, Pay Less hangs manufacturer posters over the top of the section. A sign above the end proclaims: "Better living with natural products."

The test stores do not advertise separately.

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Vol. 5, No. 17 August 8, 1983

New Jersey chains prepare to fight Rx coupon ruling

By Joe Caputo

TRENTON—The New Jersey Appellate Court has upheld a New Jersey law that prohibits prescription coupons and rebates as tactics fostering "consumer gimmickry," but chain retailers are preparing to fight the verdict with an appeal to the State Supreme Court.

Even as the state's board of pharmacy advised that coupons and rebates now in circulation and in the pipeline will not be valid after Sept. 1, 1983, lawyers for Rhode Island-based Consumer Value Stores Inc. and Supermarkets General, the parent of Pathmark stores, announced that they were petitioning the State Supreme Court to hear the matter.

"We were surprised and disappointed with the appellate court's decision," said Pathmark executive Robert Wunderle. "We intend to further pursue the matter."

In their argument before the appellate court, Pathmark and CVS maintained that coupon advertising represents free speech and is therefore entitled to the protection of the First Amendment of the Federal Constitution. But the New Jersey Appellate Court ruled that the burden of proving constitutionality of the law rests with CVS not with the state.

Speaking for chain drug retailers, Evelyn Storch, an associate at Pitney, Hardin, Kipp, Szuch of New Jersey said, "We feel the court never took into account the impact this decision would have on consumers."

"We raised the issue, but the court never recognized it," she added.

Speaking for professionalism, state association executive secretary Alvin N. Geser called coupon advertising a hoax. "It's an attempt to persuade consumers to deal with retailers on

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FTC rule may ease ad restraints

WASHINGTON—A pair of final new Federal Trade Commission orders banning unsubstantiated ad claims for Sterling and Bristol-Myers pain relievers may actually offer over-the-counter drug manufacturers greater flexibility to promote their products.

Although the rulings, which affect B-M's Bufferin and Excedrin and Sterling's Bayer, Vanquish, Cope and Midol, require both manufacturers to substantiate product superiority claims with appropriate scientific evidence, the orders appear to relax previous OTC drug advertising standards established in a similar case involving American Home Products' Anacin.

In that case FTC maintained that scientific proof is required even for advertising claims that do not cite any clinical studies or other evidence.

In addition in that ruling manufacturers like AHP were required to either produce clinical proof to back up their safety and performance claims or to clearly disclose that a "substantial question" exists about a claim's scientific validity.

Under the new rulings, as long as ads for OTC pain relievers don't imply that they are based on *scientific test data*, manufacturers may be able to use less scientific evidence to prove they have a "reasonable basis" for making the claims.

The amount of proof needed would depend on such factors as the extent that consumers believe an advertising claim, and the consequences consumers suffer if the claim is false.

Former FTC chairman Michael Pertschuk warns that this new ruling creates "unnecessary uncertainty about what evidence each maker has to possess to claim that its product is the best pain reliever."

The commission's final orders also largely uphold decisions made by an FTC Administrative Law Judge against Bristol-Myers in 1979 and Sterling in 1981.

Among other things the commission found that Bristol-Myers falsely claimed that doctors recommended Bufferin more than any other nonprescription pain reliever. The

Continued on page 50

Manufacturers say ruling based on 10-yr.-old ads

WASHINGTON—The Federal Trade Commission handed down rulings affecting drug advertising claims but marketers of leading OTC analgesics claimed the agency's decisions are based on 10-year-old ad campaigns.

In response to the July 13 FTC ruling that certain ad claims of top-selling pain killers are false and/or unsubstantiated, Bristol-Myers (makers of Excedrin, Excedrin PM and Bufferin) pointed out that the "ad claims in question go back to the early 1970's."

None of the firm's current advertising is affected by the decision.

A representative of Sterling Drug, also named in the FTC decision, explained that "the ruling on a complaint filed 10 years ago does not affect the current ads for Bayer or other Sterling products."

Sterling also markets such products as Cope, Vanquish, and Midol—drugs which were also named in the complaint.

The FTC made two parallel decisions that will impact marketers in the future: (1) companies may not advertise "es-

Continued on page 50

Walgreens organizes new region

DEERFIELD, Ill.—To simplify the task of supervising some 90 stores sprawled out over a market stretching from Minneapolis to New Orleans, Walgreen s has consolidated the district into a new region: its seventh.

The new zone, which includes stores located as much as 1,000 miles apart, has been put under the direction of regional vp George C. Eilers who had been the district manager for stores located in St. Louis West.

Although Region 7 will be undersized at first compared to the typical Walgreen s region which normally average 125 to 150 stores, Eilers said future expansion will eventually bring it up to par with the chain's six other regions.

Chain executives, however, stress that growth will not be too sudden. Current plans only call for the opening of two more units in Memphis which currently has 26 stores, plus one more in Minneapolis.

Growth plans for 1984 have not yet been announced.

Walgreen s currently has 930 stores in operation and hopes to have over 1,000 before the end of the year.

NACDS sets Rx affairs meeting

NEW YORK—National Association of Chain Drug Stores will hold its annual Pharmaceutical Affairs Conference from Aug. 29 through Sept. 1 at the Arizona Biltmore Hotel in Phoenix.

A pharmacy affairs committee meeting (for selected members) will kick off the meeting at 10:30 a.m. on Monday, Aug. 29. Registration will begin at 11 a.m. and roundtable discussions will start at 1:30 p.m. Owens Illinois will host a reception beginning at 6 p.m. On Tuesday the general business session will start at 8:30 a.m.

Rep. Henry A. Waxman will explore the health care initiatives to be addressed by the 98th Congress, a panel of industry leaders will forecast changes in pharmacy practice and try to identify upcoming challenges; Albert P. Cataldo, director of Professional Pharmacy Relations, McNeil Pharmaceutical Company, will describe his company's national antidrug abuse program.

Four topics will be presented from 1:45 to 3:15 p.m. during chain member mini-seminars. Subjects include "How to Increase Chain Representation on State Boards of Pharmacy," "How to Recruit Pharmacists," "Pharmacists and the Changing OTC Market," and "Negotiating Third-Party Contracts." The mini-seminars will be repeated from 3:30 p.m. to 5 p.m.

A reception sponsored by *Drug Store News* begins the evenings festivities prior to the NACDS Dinner.

During the general business sessions commencing at 8:30 a.m. Wednesday morning, three topics will be presented. A panel of chain corporation ceos—all pharmacists—will discuss pharmacy practice present and future, another session will explore the impact of chain pharmacy department advertising and promotional activities and a certified financial planner will discuss practical ways to reach financial goals.

Chain associate workshops are scheduled from 1:45 p.m. to 4 p.m.

The pharmacy affairs committee breakfast will be held at 8 a.m. Thursday, and it will be followed by chain/associate conferences.

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PHARMACY

Antibiotic market forecast: active, but slower than '82

Retailers' prospects look bright for continued growth of antibiotic products in 1983 although it may be hard to reach the growth levels established in 1982.

According to researchers at Pharmaceutical Data Services, the antibiotic category's dramatic advance in 1982 was primarily due to a huge increase in script counts coupled with raising consumer prices.

"The retail price index for antibiotics registered 134.2 in January 1983, up 34 points over the base of 100 reported during January 1980," noted a PDS official.

Significantly, the increase was also linked to a double digit gain in script counts.

Virtually all major antibiotic categories, except penicillins, contributed to the dollar sales gains reported during 1982. Oral cephalosporins continued gaining market share, but growth was also reported for other large market segments such as erythromycins, tetracyclines, amoxicillins/ampicillins, and fungicides.

Cephalosporin scripts are by far the largest segment of the overall antibiotic market today, according to analysts who track the industry. Lilly's oral cephalosporin line achieved gains of 11% in 1982 just on the strength of Keflex and Ceclor alone.

% change of antibiotic dollar volume through drug stores
($ millions)

	1981	1982	% Chge.
Cephalosporins	$205	$235	+15%
Tetracyclines	114	138	+21
Fungicides	120	132	+10
Erythromycins	104	116	+12
Amoxicillins/Ampicillins	99	104	+ 5
Penicillins	71	69	– 3
Trimethoprims	19	22	+16
Medium Spectrum	13	13	N.C.
Aminoglycosides	5	5	N.C.

Source: Industry audits

Special report: Antibiotics

Meanwhile Bristol Myers two oral cephalosporin cefadroxil agents—Duricef (Mead Johnson) and Ultracef (Bristol Labs), also captured a greater market share in 1982. Combined script counts for these two drugs rose 46% just in the fourth quarter.

Erythromycins also performed well on fourth quarter script gains of 14% year-to-year. Abbott's E.E.S., the market leader, rose 11%, while Upjohn's E-Mycin increased better than 14%. Lilly's Ilosone registered a slight decline.

Script volumes for the semisynthetic penicillin category recorded strong gains during the year. Scripts for amoxicillin and ampicillin combined rose 13%. And volume for Pfizer's Spectrobid rose more than 50%.

Although the penicillin subcategory recorded lower dollar volume, scripts continued to increase some 9% during the last quarter. Price erosion caused dollar volume to decline.

Tetracyclines on the strength of Vibramycin and Vibra Tabs, and fungicides on the gains of Lotrimin and Monostat-7 also chalked up sizable gains.

Arthritis kits are available

ALEXANDRIA, Va.—The National Association of Retail Druggists (NARD) and the Arthritis Foundation have made available to pharmacists free information kits for distribution to arthritic customers.

The kits are part of an in-store public educational program that includes informational articles and pamphlets, a display poster and other promotional materials.

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DUE TO COMMON COLD, FLU, BRONCHIAL IRRITATION
Helps relieve frequent and annoying cough, plus postnasal drip. Soothes a cough-irritated throat.
New plastic bottle and child-resistant cap
Triaminic® Expectorant
DRY, HACKING COUGH STUFFY NOSE
DUE TO COMMON COLD, FLU, BRONCHIAL IRRITATION
Helps loosen dry cough and bronchial secretions. Soothes cough-irritated throat
New plastic bottle and child-resistant cap
Triaminicol® Multi-Symptom Cold Syrup
FREQUENT COUGH RUNNY NOSE NASAL CONGESTION
DUE TO COMMON COLD, FLU, BRONCHIAL IRRITATION
Helps relieve annoying cough and major cold symptoms. Soothes a cough-irritated throat.

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PHARMACY

Antibiotics vendors develop strong worldwide markets

The 1980's are shaping up as the decade in which the worldwide development and marketing of antibiotics is coming into its own.

Eli Lilly and Company, with an estimated worldwide market share of 40% of the $1.6 billion (mfg. level dollars) worldwide antibiotic market currently leads all other manufacturers, but the Indianapolis-based firm faces stiff competition from other firms—notably Pfizer, Merck, Beecham, Glaxo, Squibb, Hoechst, and SmithKline.

The most intense competition, however, may soon come from abroad—not the domestic market. In the past several years many of the new cephalosporins originated in Japan, not America.

Although the United States represents the largest market for pharmaceuticals, the Japanese are the biggest users, per capita, of this drug class.

Japan's usage and successes in the laboratory haven't gone unnoticed: Several American firms have formed joint ventures with Japanese drug manufacturers to market the foreign-developed products here. Lilly's third generation cephalosporin Moxam is licensed from Shionogi. Abbott Labs has an agreement with Takeda Chemical, and SmithKline has linked up with Fujisawa.

On the surface this may appear like the situation facing Detroit's automakers, but there's a different twist. Japan is not exporting the products into the United States in direct competition with American firms.

Instead, American firms are bidding to obtain the rights to market Japanese discoveries. Pfizer reportedly paid $40 million to Toyama Chemical for the worldwide rights to Cefobid. And other firms such as Key Pharmaceutical have also signed licensing agreements

Since the Japanese have proven to be such masterful developers, it's expected additional new antibiotics will originate in the land of the Rising Sun.

But the Japanese aren't alone in recognizing the important contributions antibiotics make to a positive balance of trade. English firms such as Glaxo and Beecham, and German/French firms like Hoechst-Roussel also have significant stakes in antibiotics development and marketing.

Beecham is slated to release Augmentin, an orally active, broad spectrum semisynthetic penicillin later in 1983 pending F.D.A. approval. Glaxo has ceftazidime on tap and Roche is running clinicals on ceftriaxone, a product to be branded as Rocephin.

Hoechst-Roussel launched Claforan (cefotaxime), a multimillion dollar third generation cephalosporin offering physicians a prescribing alternative in hospital-acquired infections.

Worldwide sales forecasts and U.S. introductory dates for major antibiotics

Company	Product name	U.S. intro	Worldwide sales by 1986 ($ millions)
Bristol Myers	Ceforanide	1983	$ 50
Johnson & Johnson	Ketaxonazole	1981	200
Eli Lilly	Ceclor	1979	250
	Mandol	1979	200
	Moxam	1982	250
Merck	Mefoxin	1979	300
	Norfloxacin	1984	100
	Thienamycin	1985	100
Pfizer	Spectrobid	1981	125
	Cefobid	1982	250
	Sulbactan	1985	100
Schering Plough	Netilmicin	1983	100
SmithKline Beckman	Cefizox	1983	50
	Cefonicid	1983	200
Squibb	Azothreonam	1985	200

Source: Industry audits and projections

Star factors in antibiotics market surge

Factors sparking the growth of antibiotics:

- Cost is a low priority on the scale of physicians' considerations in antibiotic selection. New products carry greater efficacy, higher potency, and have better safety records (fewer side effects), so manufacturers are able to charge higher prices.
- Because of this use of antibiotics as preventive medicine—antibiotic therapy before the onset of clinical infection—is expanding. This is especially evident among cancer patients where the immune system may be compromised.
- There are an ever increasing number of surgical operations, resulting in a growing need for invasive diagnostic procedures and this contributes to a greater likelihood of postop infections. Therefore more intensive antibiotic therapy is required.
- As bacteria becomes immune to once-effective older antibiotics, there's a constant need to upgrade and improve each product's therapeutic potency and effectiveness. For example this results in the development of cephalosporins, then the further development of second and third generation products.
- A wider use of combination therapy in several formulations is occurring since no single drug has the complete effectiveness to attack the total range of over 500 varieties of bacteria, virus and fungi.

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These shelves are filled with antitussives chemically unrelated to narcotics proved to selectively inhibit cough at the cough control center...

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Division of Warner-Lambert Company
Morris Plains, New Jersey 07950

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STORE AGE
ANDISER
ter growth shrinks hardware—p. 55
'ves Thrifty, Clark Rxmen top U.S. pay—p. 41

RUG STORE NEWS®

Vol ncorporating CHAIN STORE AGE Drug Magazine Published by Lebhar-Friedman Inc./August 22, 1983

JByrons turnaround star to head Eckerd

By Mike Dunn

CLEARWATER, Fla.—Harry W. Lambert, the executive credited with a major role in turning around Jack Eckerd Corp.'s JByrons department store division, has been named president of the Eckerd Drug Co.

He replaces Burton C. Perfit, who now becomes corporate sr. vp and group executive responsible for Eckerd Apparel division, Eckerd Optical Co. and Eckerd Med-Care, the home health care operation launched last fall in St. Petersburg, Fla.

James L. Fischer, 43, who joined the Jack Eckerd Corp. three years ago as president of Eckerd's Apparel, replaces Lambert as president of JByrons. Lambert had acquired that post in November 1978.

The changes were made to streamline the corporation, according to Stewart Turley, chairman and president of the Jack Eckerd Corp. "We feel particularly fortunate to have these outstanding men within our company who can move into new areas of responsibility and challenges," Turley said.

Analysts see Lambert as an executive who could improve earnings at the drug chain exactly as he did at JByrons. Although Eckerd Drug has one of the better ratios of operating profits to sales in the chain drug industry, profits have been relatively flat this year while they have soared at other major drug chains.

"Harry Lambert did a terrific job at Byrons. He brings in a new perspective to the drug division," said Robert I. Roth, an analyst at Merrill Lynch.

Now Lambert will be called on to improve Eckerd Drug's profit growth, which in the third quarter ended April 30 was flattened by the company's strong promotional activities. Sales in that period increased 12%.

At the same time, Eckerd Drug maintains its comparatively strong operating profit margins. In the third quarter its ratio of operating profits to sales was 6.4%. For the first three quarters, the ratio was 7.3%.

Burton C. Perfit

Harry W. Lambert

Susan Schmierer, an analyst at L. F. Rothschild who closely follows Eckerd, described Lambert as "very aggressive. He turned around the operating profit situation at Byrons.

Continued on page 62

NCR scanning registers speed the checkout process at Revco's new low-margin store in Memphis. Chalkboard price signs remind customers they can "Get It For Less."

Called "Get It For Less"

Revco uses scanners in 1st low-margin unit

By Allen Mundth

MEMPHIS—Revco Drug Stores this month opened its first low-margin store, a 23,000-sq.-ft. nonpharmacy health and beauty aids outlet called "Get It For Less." The store is equipped with 11 scanning-equipped cashier stations, taking the deep discount concept to its most sophisticated level yet.

Elliot "Budd" Dworkin, Revco's vice president for purchasing, said the new store, which operates on the theory that American shoppers love two things: mass assortment and great buys, is "an idea whose time is here and now."

Designed with a race track format common to discount stores, the new Revco outlet features brand name merchandise at advertised discounts of up to 50%. Prominent displays of typical drug store merchandise line the 6-ft.-high gondolas inside the race track's perimeter traffic circle. Health and beauty aids, cosmetics, OTC preparations, greeting cards, candy and tobacco departments are supplemented with hardware, software, photo, electronic and sundries merchandise. The store also carries convenience foods and soft drinks, also at deep discount prices.

Continued on page 64

McKesson to buy Rx computer firm

SAN FRANCISCO—McKesson Corp. has signed a letter of intent to acquire 3 P.M., of Livonia, Mich., a major developer and marketer of pharmacy computer systems.

Thomas E. Drohan, president and ceo of McKesson, made the announcement at the corporation's annual shareholders meeting. The acquisition would be for cash.

3 P.M., which has installed 1200 Pharmaserv systems in 40 states during the past eight years, reported sales of $22 million last year. The 3 P.M. system includes third-party claims processing, prescription market research data and pharmaceutical computer systems.

3 P.M. is no stranger to McKesson. Since January 1983, the computer company has had a marketing agreement with the San Francisco-based wholesaler in which the latter served primarily as a distributor of 3 P.M.'s Pharmaserv stand-alone system.

At the time of the acquisition move, McKesson had been testing 50 Pharmaserv stand-alone pharmacy terminals in four states: Oregon, Washington,

Continued on page 63

LATE NEWS

JOSEPH VICTOR, former president of the Illinois Thrifty Drug Company, has resigned his position as an inventory manager at SupeRx Drug Stores. Victor, whose 13-store chain was acquired by SupeRx 11 months ago, said he will devote his time to family real estate matters in the Springfield, Ill., area and will continue to pursue opportunities in marketing.

CONTINUING EDUCATION PROGRAM

Pharmacists recommendations for common pet care problems —pp. 33-40

Perry eyes acquisition of 50-store auto chain

By Faye Brookman

PONTIAC, Mich.—Perry Drug Stores' proposed acquisition of Fleenor's Inc., a 50-store auto parts chain, will provide the drug operation with a nucleus of profitable stores in three new markets, as well as the automotive expertise needed to propel the growth of Perry's freestanding auto units.

Termed "an attractive deal for both parties" by auto and drug chain sources, the tender offer to purchase Indianapolis-based Fleenor's will bring the Pontiac, Mich.-based chain into Kentucky, Indiana and Ohio. Perry currently operates six auto stores in Michigan and one in Illinois.

When Jack A. Robinson, chairman and ceo, announced plans to launch Perry's chain of Auto Works outlets, he predicted that it would hit 25 stores within two years. The acquisition, however, would more than double that prediction.

Perry is expected to retain Fleenor's management team, a group of characterized by industry sources as "young and bright." With annual sales of $25 million, Fleenor's is said to

Continued on page 63

Longs expands Kitchen Korners

WALNUT CREEK, Calif.—After three years of testing seven Kitchen Korner mini-food departments, Longs is now expanding the section to additional stores.

New Kitchen Korners have been added to two stores just three miles apart in Sunnyvale, the heart of California's Silicon Valley, and other units are expected to open shortly at the discretion of unit and district managers.

When Longs first opened Kitchen Korner in San Diego three years ago, chain presi

Continued on page 63

Longs has added Kitchen Korner depts. to two stores in Sunnyvale, Calif., and other units are expected to have food sections shortly.

News in brief

Rite Aid grocery division renamed

SHIREMANSTOWN, Pa.—Louis Lehrman & Son Inc., the wholesale grocery chain that spawned Rite Aid, has undergone a name change that better links the wholesale grocer to the drug chain.

The new name of the grocery division of the Rite Aid Corp. is Super Rite Foods Inc. "It more closely identifies the company as a food wholesaler," a chain spokesman said.

Although Louis Lehrman & Son was started in 1927, 55 years before Rite Aid was launched as a drug chain, the situation has now become one of the tail wagging the dog. In fiscal 1983, the wholesale grocery division contributed $246.7 million of sales to Rite Aid compared to $966.9 million contributed by the retail drug division.

Meanwhile, Rite Aid continues to increase its penetration of Ohio and West Virginia with the acquisition of the four-store Beagle drug chain, based in Marietta, Ohio. Terms of the sale have not been disclosed.

The four stores are close to the Rite Aid warehouse in Nitro, W. Va., in a region targeted for expansion by the 1,085-store chain. As of May 1, Rite Aid operated 93 stores in Ohio and 75 in West Virginia.

JByrons to open 3 Orlando stores

MIAMI—JByrons, the junior department store chain owned by the Jack Eckerd Corp., was scheduled this month to open the first of three stores in Orlando, Fla.

The three stores will be approximately 40,000 sq. ft. each, according to an Eckerd spokesman.

The 49th JByrons store was opened Aug. 2 in Tarpon Springs, Fla. The 44,000-sq.-ft. store is open seven days per week in a one-story building.

Peoples promotes Arensmeyer

ALEXANDRIA, Va.—Peoples Drug Stores has promoted senior vp Robert Arensmeyer to the newly created post of executive vp.

As the company's No. 2 executive behind president and ceo Sheldon W. Fantle, Arensmeyer will be responsible for the day-to-day execution of corporate policies and programs, including the chain's strategic planning activities. He will also continue to serve as chief financial officer of the 571-unit chain.

Arensmeyer, formerly sr. vp and treasurer joined Peoples in 1968 as controller. He had previously worked for the Price Waterhouse Co., the Granite City Steel Co., and the Katz Drug Co. He is a member of Peoples' board of directors.

Transworld to add 2 more show dates

CHICAGO—Transworld will add 2 more show dates in 1984. In addition to the traditional January and July exhibition, there will be shows in April and October to coincide with the new meeting times for the National Housewares Manufacturers' Association shows.

Transworld's new dates are: April 6-11 and Oct. 8-11 plus Jan. 15-18 and July 15-18.

Video cartridge sales rise

NORTHBROOK, Ill.—Drug stores accounted for $35 million in sales of video game cartridges between Nov. 1, 1982, to Feb. 28, 1983, according to a nationwide study by A. C. Nielsen Co.

The survey indicated drug stores accounted for 20.1% of the combined cartridge sales of mass merchandisers, food stores and drug stores.

Forty-four per cent of chain drug stores carried the cartridges, while 30% of independent drug stores sold them.

Adams stockholders re-elect Salmanson

PAWTUCKET, R.I.—Charles Salmanson was re-elected chairman of Adams Drug Co., Inc. by the directors at the chain's annual meeting.

Charles Salmanson as well as Samuel Salmanson, Donald Salmanson, Thelma S. Rodbell, Clarke Simonds and Clarence H. Gifford Jr. were re-elected as directors.

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Vol. 5, No. 18 August 22, 1983

The discounts on name-brands are mounted on a wall above Giant's cosmetics department.

4 more Giant combo units to make over cosmetics

By Faye Brookman

CROFTON, Md.—The chic, upscale cosmetics department in Giant's three-month-old combo store here has been so successful that the chain is duplicating the look in four other combo units.

The department consists of two 60-ft. gondola runs plus endcaps. The area is set off from the rest of the store by a chrome overhang with pink neon lighting that identifies the department as cosmetics.

One side houses the pegged lines merchandised by line on fixtures developed by Giant. The other side is the service area complete with a cosmetician, and on certain days, Giant's cosmetics supervisor, Julian Levin, performs make-overs for customers.

The physical elegance of the department is matched by the prestige brands carried in the store including such lines as Arden, Ultima, Chanel, Oscar de la Renta, Myrugia and Lauren. Many of these are secured

Continued on page 63

Giant's Crofton, Md., store features a cosmetics department set off from the rest of the store by a chrome overhang with pink neon.

Calif. stalls PPOD as legislature debates pharmacy-backed option

SACRAMENTO—Implementation of California's newly authorized Prudent Purchase of Drug Program (PPOD), measure designed to cut Medi-Cal bills by 20%, has been delayed to either December 1983 or January 1984. The program was originally slated to take effect this September.

The new Secretary of the state's Health and Welfare Agency instituted the delay so he could execute a staff review prior to approving the regulations. But the decision of the administration will be to move forward with the program.

California had earlier been trying to institute a volume purchase program, but problems with implementation, enforcement, and the fear that it might create a huge Government bureaucracy which would not be cost-effective forced the state to approve PPOD.

Even as PPOD is being evaluated, there is a new bill pending that could nullify the approved PPOD program. This latest legislation, known as Assembly Bill 1307, is sponsored by the California Pharmacists Association and it is currently halfway through the legislative process. It still has to have a hearing before the State Senate's Health and Welfare Committee, and if it survives that, it must go to the Senate Finance Committee, and then on to the full Senate.

AB 1307, which is modeled after the 9-year-old California Dental Service Program, shifts the state's drug program from the Department of Health Services to an independent fiscal intermediary on a capitated (ceiling per patient) basis. The pharmacist still assumes some risk in costs because he will be responsible for overages if costs exceed a basis, but the California Pharmacists Association says the alternative is preferable because it would get the state out of the bidding business and put the responsibility into the hands of a third-party fiscal intermediary.

Continued on page 63

F.D.A. chief Hayes to leave post in Sept.

WASHINGTON—Food and Drug Administration Commissioner Arthur Hull Hayes Jr., will resign as head of the Federal drug agency early next month to become Dean of the New York Medical College in Valhalla, N.Y.

Although Hayes confirmed press reports of his imminent departure from F.D.A. during a meeting with trade publication editors announcing the National Council on Patient Information and Education's new $1 million patient drug awareness campaign, he refused to answer questions regarding the reason for his departure.

Since taking office Hayes has launched several initiatives aimed at reducing Federal regulation of the drug industry. Among other things, the Commissioner supports expanded Abbreviated New Drug Application rules which could significantly shorten the premarket clearance process for new products.

In addition, last year Hayes rejected proposed patient package insert regulations that would have required drug manufacturers to provide additional leaflets with their products.

Rather than adopting new regulations, Hayes worked with the industry to form the broad-based National Council on Patient Information and Education, which develops programs to educate consumers about the proper use of Rx drugs.

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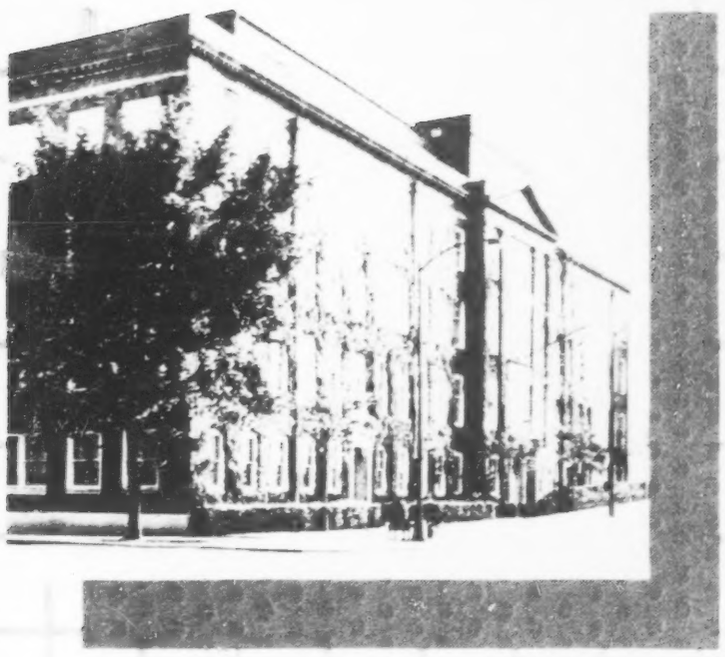
1983 NIELSEN REVIEW
of Retail Drugstore Trends

50th ANNIVERSARY ISSUE



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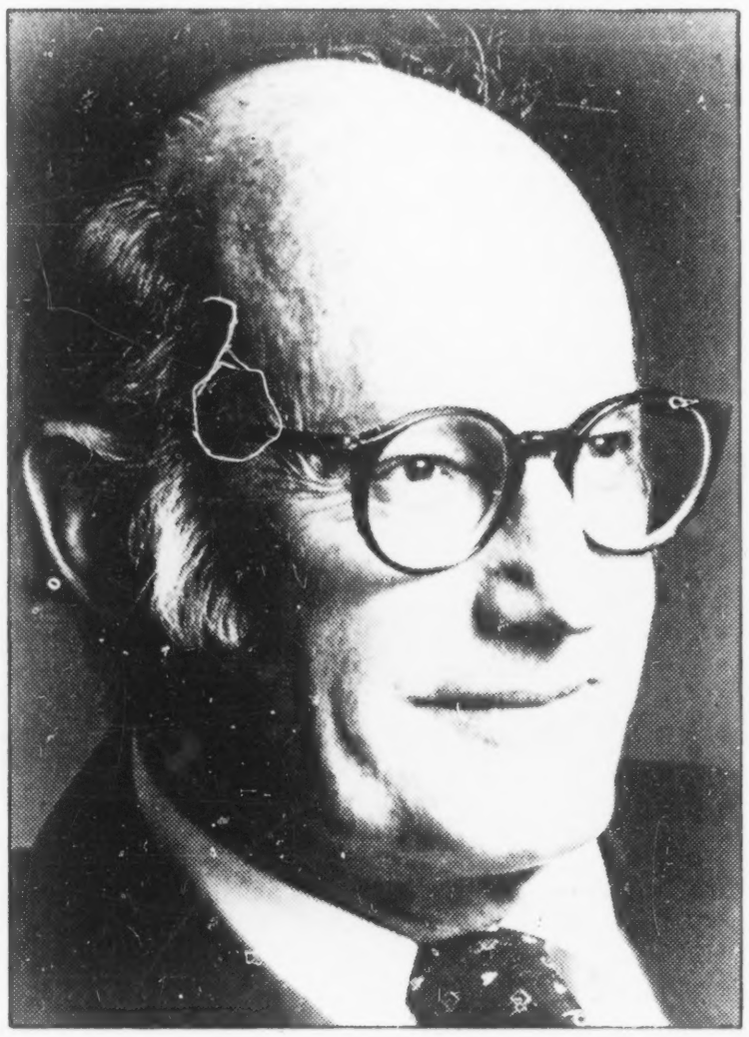


To Our Friends In The Drug Industry

As our cover illustrates—1983 is an important milestone in the history of the A.C. Nielsen Company—the 50th anniversary of the Nielsen Drug Index.

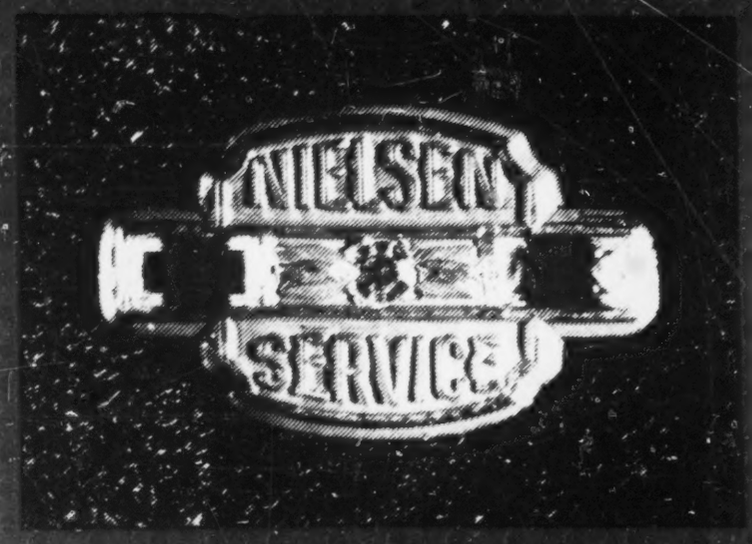
My father, A.C. Nielsen Sr., described the inauguration of the service as "a display of teamwork born of dire necessity. Then, at serious risk of bankruptcy, we launched a continuous marketing research service known as the Nielsen Drug Index." And bankruptcy during the great depression of the 1930's was an ever present danger for virtually every business—especially a new venture in an uncharted field. But we survived as did most independent and chain drugstores. But at certain times it was a "near thing" for us and many others too.

The year 1933 also marked the founding of the National Association of Chain Drug Stores. This fine organization also celebrated its 50th anniversary in May of this year. They not only survived but have continued to grow in both membership and importance ever since.

We sincerely hope our readers find this Review both interesting and helpful in appraising the retail drug industry. And further, we wish, once again, to say "thanks" for the cooperation extended to us by so many of you in the retail drug industry. In addition, we want to congratulate the NACDS on their 50th anniversary and wish them well for the next half century.

Sincerely,

A.C. Nielsen Jr.
Chairman of the Board
A.C. Nielsen Company



50th Anniversary Service Award pin of A.C. Nielsen Company

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Chapter I

THE ECONOMIC CLIMATE

Both Good and Bad

The recovery has continued to gain momentum according to the latest review of leading indicators. An advance of 1.1% was recorded in April—the 10th consecutive monthly gain reported by the Commerce Department. Nine of the 11 indicators advanced, indicating the gain has wide support.

Business failures, as reported by Dun and Bradstreet, were up 40% for the first four months of 1983 vs. the first four months of 1982. Further, the Conference Board's prognosis for the labor market was still for an agonizingly slow recovery based on the latest tally of help-wanted advertising around the nation.

In the face of these mixed economic signals, real per capita disposable personal income has remained unchanged since 1980 (Chart 1), at a point below the 1977 index level of 100. Part of this recent stability has resulted from a slow-down in the gains recorded by per capita personal income, disposable income and the consumer price index. For Chapter 1 beginning.

Cost Of Living

Although all of the categories still reflected increases during the last month of 1982 (Chart 2) the gains in every category were less than those recorded in 1981.

Even the gains registered by the "high flyers"—medical

Trend of Per Capita Purchasing Power
(Index Basis—1977 = 100)

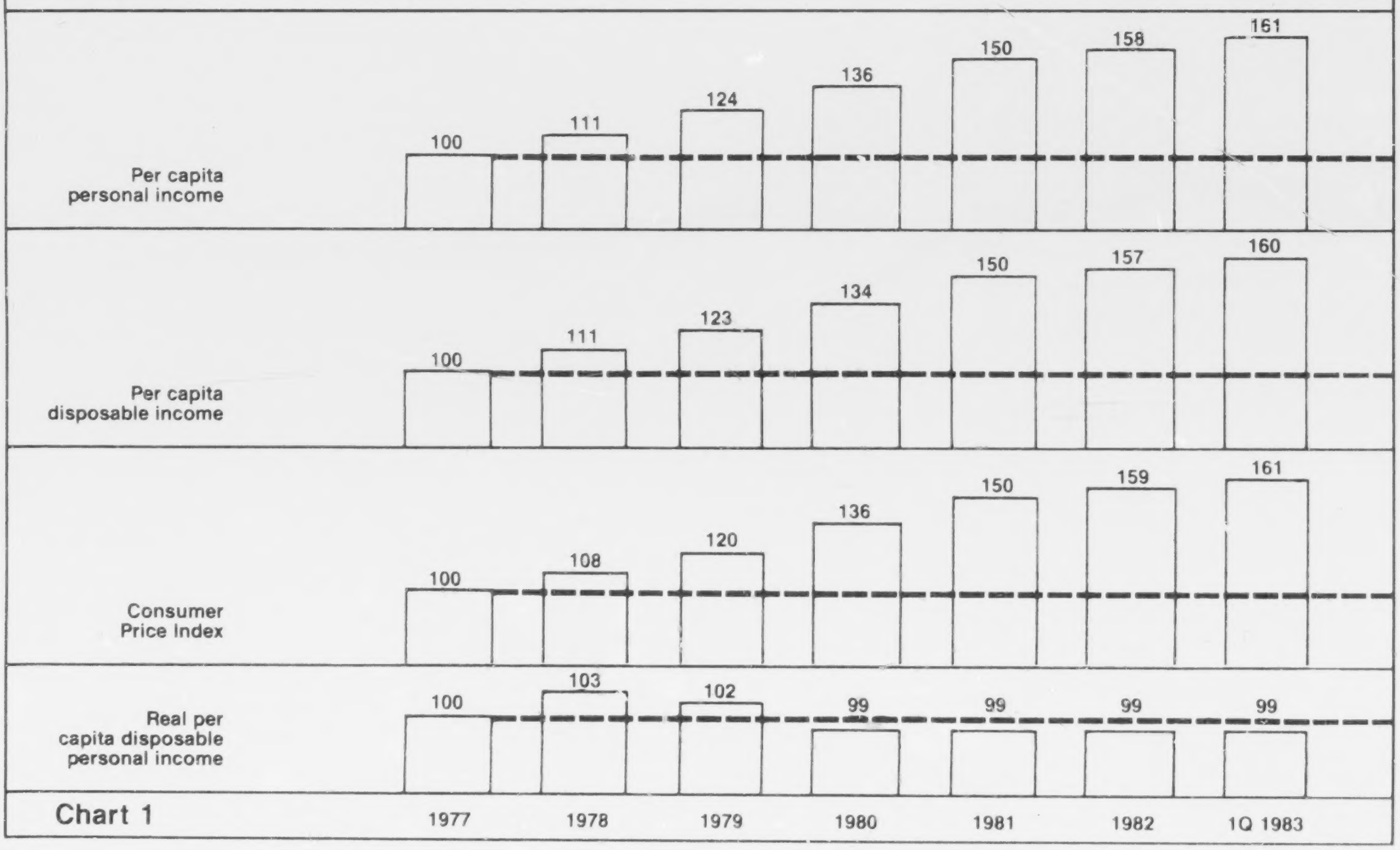


Chart 1

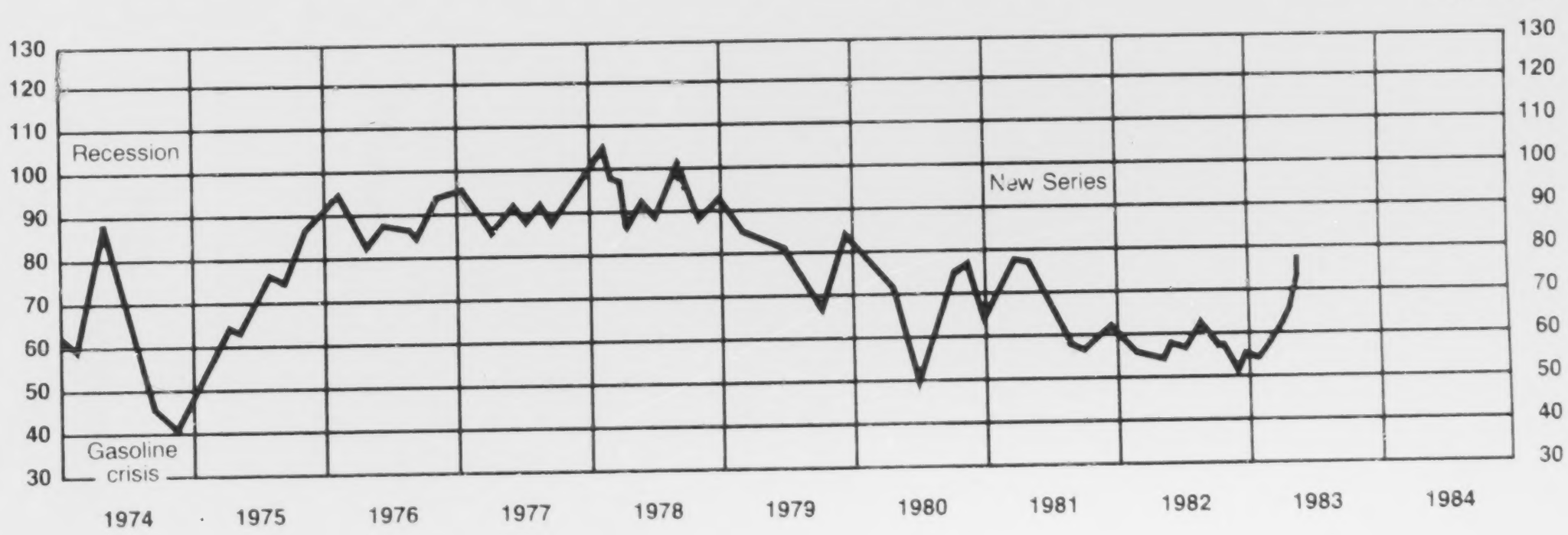
Cost of Living and Your Budget

Consumer Price Index 1977 = 100	December 1981	Percent Changes vs. Year Ago	December 1982	Percent Changes vs. Year Ago
All items	155	+ 9.3%	161	+ 3.5%
Food at home	143	+ 3.0	146	+ 2.2
Food away from home	149	+ 7.2	156	+ 5.0
Medical care	153	+12.3	170	+11.0
Personal care	140	+ 8.1	149	+ 6.7
Transportation	164	+11.1	166	+ 1.7
Apparel and upkeep	124	+ 3.8	126	+ 1.6
OTC drugs	150	+12.1	162	+ 8.6
Hospital room	173	+16.9	197	+13.5
Prescriptions	148	+12.4	166	+12.2
Physician's services	152	+11.8	164	+ 7.7
Dental services	148	+10.0	157	+ 5.8

Chart 2

Consumer Attitudes and Buying Plans

Consumer Confidence Index



Buying Plans Index

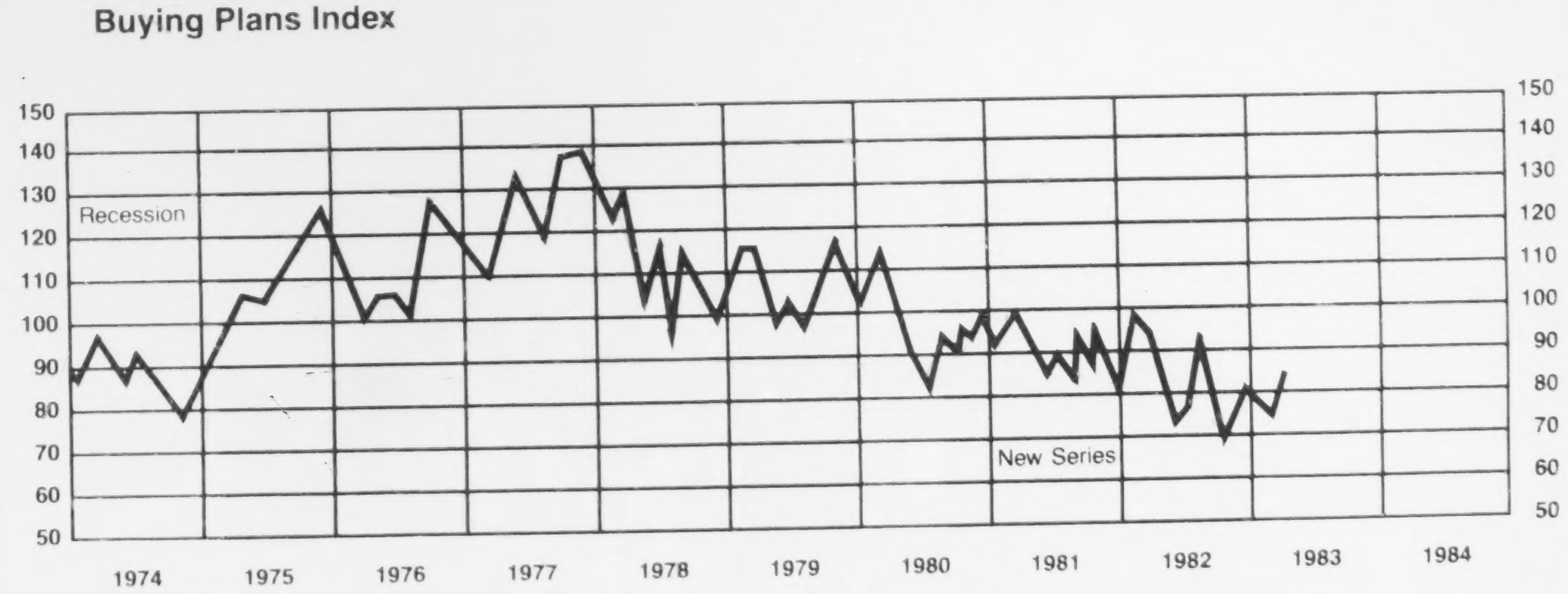


Chart 3 *Source* The Conference Board All Data Seasonally Adjusted

Division of Total U.S. Retail Sales

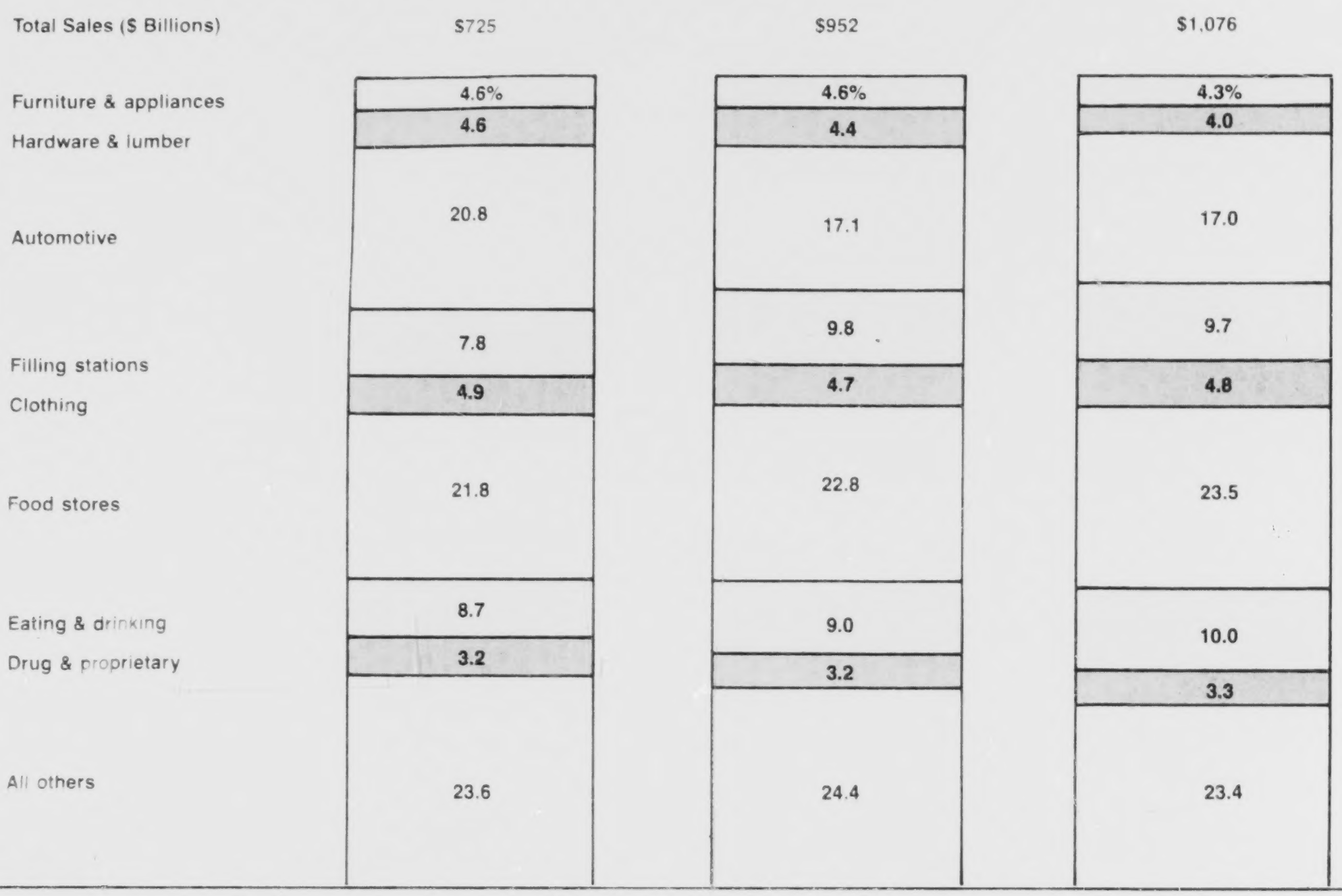


Chart 4

care, hospital rooms, and physicians services—although still far above average, were less than those recorded in recent years. The price increases in the categories most reflective of retail drug stores (OTC drugs and prescriptions), were both above the all-item average.

Consumer Confidence

There was a marked increase in consumer confidence recorded in March. The Conference Board recorded a 10 point increase, the largest gain in the past nine years. Buying plans, however, continued mixed (Chart 3).

Consumers continued to express concern regarding present business and employment conditions, but at a more subdued level than in the past. But pessimists continued to outnumber optimists by a wide margin. In looking ahead to the next six months, however, consumers are appreciably more hopeful than in the past. In spite of this favorable view of the future, buying plans continued mixed and substancially below the highs of 1982.

Division of Retail Sales

The five-year trend in total retail sales (Chart 4) indicated a major loss of close to four points for the automotive group, and substantial gains for filling stations, food stores, and eating and drinking establishments. The remaining changes were fractional with drug stores gaining a 10th of a point.

Per Capita Effective Buying Income and Drug Store Purchases

Per capita drug store purchases did not keep pace with effective buying income in 1982, as income was up 9.7% in the total United States and purchases, 7.5% (Chart 5). Consumers in the remaining Pacific area spent more money in drug stores than in any other region followed by Chicago and Los Angeles. The lowest expenditures, by far, were in New York with the East Central and Southwest also below average.

U.S. Population Growth

The slow down in the growth of population (Chart 6) indicates that retailers can no longer expect automatic increases in customers based on population growth. In the 1960's, population expanded about 1.2% per year. From 1973 to 1980, it averaged 1% and in 1981 it was just 0.9%. For the next five years, forecaster's expect this 1% rate (or slightly less) to continue.

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Per Capita Disposable Income and Drug store Purchases

	1982 per capita effective buying income*	% change from previous year	Per capita drug store purchases		% change from '81 vs. '82
			1981	1982	
Total U.S.	$ 8,706	+ 9.7%	$147	$158	+7.5%
New England	9,344	+10.8	136	146	+7.4
New York	10,357	+11.4	115	121	+5.2
Mid-Atlantic	9,078	+10.7	151	163	+7.9
East Central	8,452	+10.1	144	152	+5.6
Chicago	10,284	+ 9.3	187	199	+6.4
West Central	8,490	+ 7.1	128	138	+7.8
Southeast	7,366	+ 9.9	141	151	+7.1
Southwest	8,421	+11.4	135	146	+8.1
Los Angeles	9,867	+ 8.8	172	186	+8.1
Remaining Pacific	9,083	+ 8.9	192	207	+7.8

*Sales mgmt. estimate

Chart 5

Total U.S. Population Growth

1960's	1.2%
Since 1973	1.0%
1981	0.9%

Chart 6

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Chapter II

RETAIL DRUG SALES

Retail Drug Store Sales

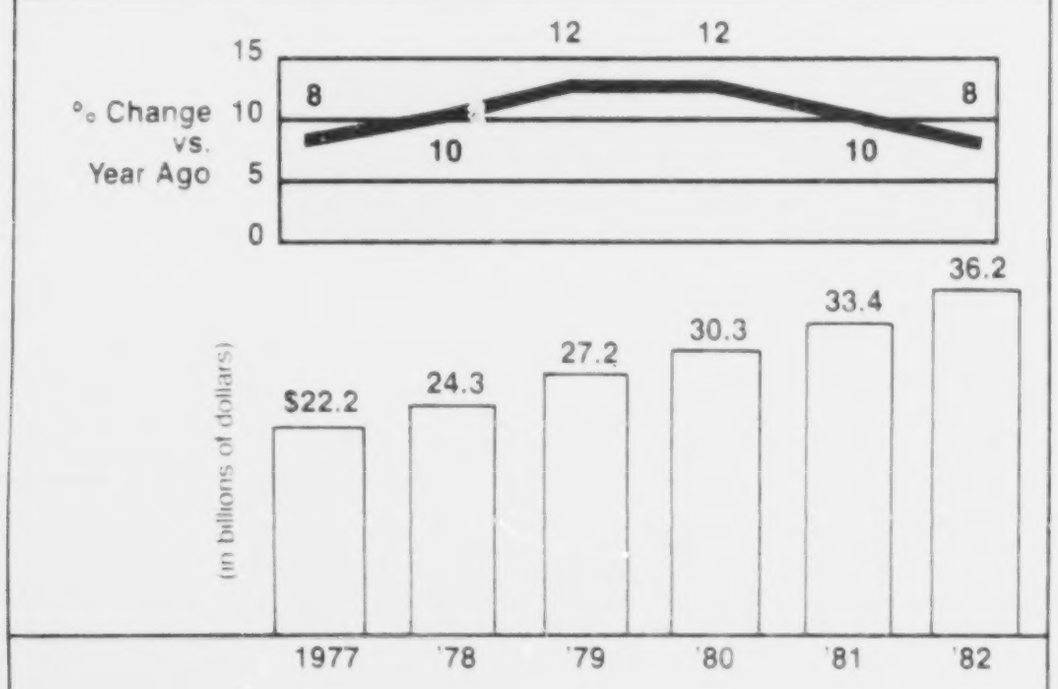

Chart 7

Looking Brighter

Based on scattered returns of first-quarter sales and earnings by chains, sales in retail drug outlets are looking far brighter than in the first quarter of 1982. Most rewarding for some organizations were substantial gains in earnings on relatively small increases in sales.

Although the total dollar sales increase of 8% for 1982 (Chart 7) was the lowest since 1977, the current gain was probably more reflective of increased product movement than the 12% increases of 1979 and 1980 which were primarily due to higher prices. The total dollar growth was just short of three billion dollars.

The sales increase of 11% by chains was just over twice that posted by independents (Chart 8) and chain dollar sales are now almost double the amount recorded in 1977.

Charts 9A and 9B provide a comparison of all commodity dollar sales of chains versus independents, by size, Nielsen territory, and from 1981 to 1982.*

Chains made their largest gains in New England (+ 2.0), Chicago (+ 1.0) and the South West (+ 1.0). In the remaining

Division of Retail Drug Sales

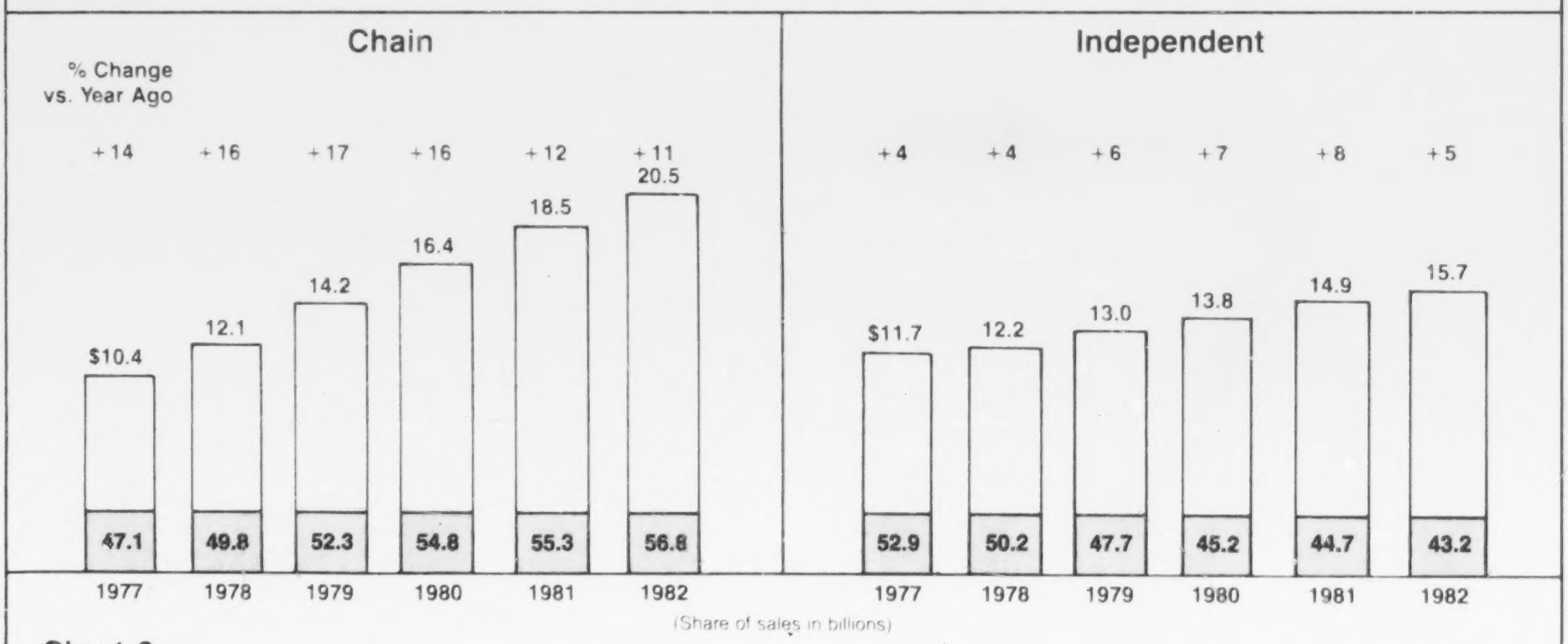

Chart 8

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Share of Retail Drug Sales—By Nielsen Area and Store Type—I

(continued)

	Total U.S. 1981*	Total U.S. 1982**	New Eng. 1981	New Eng. '82	New York '81	New York '82	Mid Atl. '81	Mid Atl. '82	East Cent. '81	East Cent. '82	Metro Chi. '81	Metro Chi. '82
Total Dollar Sales (in millions)	$34,863	$36,860	$1,745	1,854	1,787	1,854	3,897	4,091	5,079	5,343	1,508	1,573
% Change vs. Yr. Ago	10%	9%	9.0%	9.0	7.0	6.0	10.0	8.0	9.0	8.0	8.0	8.0
Mkt. Importance	100%	100%	5.0%	5.0	5.1	5.0	11.2	11.1	14.6	14.5	4.3	4.3
Division of Sales												
Drug Stores												
Small (Under $250M)	9.8%	9.2%	13.6%	12.8%	15.9%	14.3%	7.3%	6.8%	8.0%	7.3%	9.2%	8.0%
Medium ($250M-500M)	15.4	15.2	22.1	21.6	23.1	23.0	12.5	12.5	14.5	14.8	11.3	11.5
Large ($500M & over)	18.5	18.8	21.3	20.6	28.4	29.9	17.7	18.0	22.8	23.2	25.2	25.2
Chain	56.3	56.8	43.0	45.0	32.6	32.8	62.5	62.7	54.7	54.7	54.3	55.3

*Figures reflect yr. ended June 30, 1982

**Figures reflect yr. ended March 1, 1983

Chart 9A

Share of Retail Drug Sales—By Nielsen Area and Store Type—II

	West Cent. 1981	West Cent. '82	Southeast '81	Southeast '82	Southwest '81	Southwest '82	Los Ang. '81	Los Ang. '82	Rem. Pacific '81	Rem. Pacific '82
Total Dollar Sales (in millions)	$4,104	4,344	5,907	6,257	3,608	3,854	2,006	2,120	5,222	5,570
% Change vs. Year Ago	9.0%	9.0	9.0	10.0	12.0	11.0	11.0	9.0	11.0	10.0
Mkt. Importance	11.8%	11.8	16.9	17.0	10.3	10.5	5.8	5.7	15.0	15.1
Division of Sales										
Drug Stores										
Small (under $250M)	12.1%	11.9	11.0	10.7	14.0	12.6	6.1	5.8	5.7	5.4
Medium ($250M-500M)	19.1	18.9	17.3	16.5	18.3	18.2	10.3	10.2	9.7	9.5
	24.9	24.9	15.3	15.9	15.7	16.2	11.0	10.8	12.6	12.5
Large ($500M & over)	43.9	44.3	56.4	56.9	52.0	53.0	72.6	73.2	72.0	72.6
Chain										

Chart 9B

areas share gains by chains were fractional with the exception of the East Central where there was no change.

Although chain organizations will probably continue to grow in importance, especially in such areas as New England and New York, it would appear that their growth from now on may be in smaller increments and more difficult to achieve. The large independents in 1982 moved up slightly and even the medium-sized stores kept their losses to a minimum.

**Note that year endings are slightly different than on Chart 8 for 1981 resulting in small share differences.*

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Chapter III

HEALTH AND BEAUTY AIDS AND SELECTED COSMETICS

Flat Trend For Unit Sales in Drugstores

Sales of H&BA items in the three outlets combined in 1982 moved up 10% measured in dollars and 2% on a unit basis (Chart 10). The unit gain was attributable entirely to grocery and mass merchandiser outlets, as product movement in drugstores failed to increase during 1982. The unit gain of 5% for mass merchandisers was even stronger than the one achieved by grocery outlets.

The weak sales in drugstores resulted in a one point share loss for the 25 product groups and was the largest recorded since 1978 (Chart 11).

H&BA—Dollar and Unit Sale's Progress
(25 Major Product Groups)

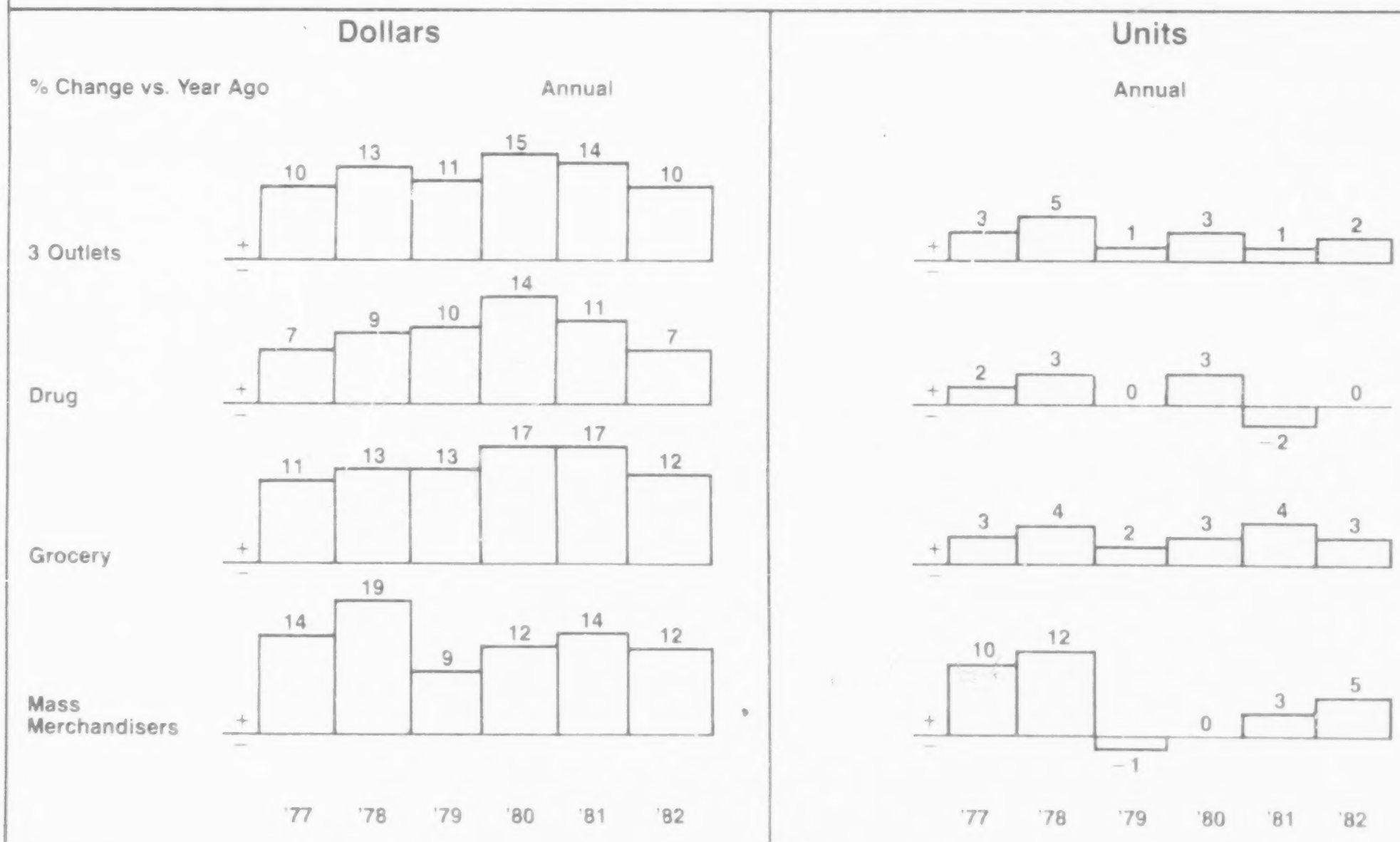

Chart 10

Division of HBA Dollar Sales Drug—Grocery—Mass Merchandisers

(25 Product Groups)

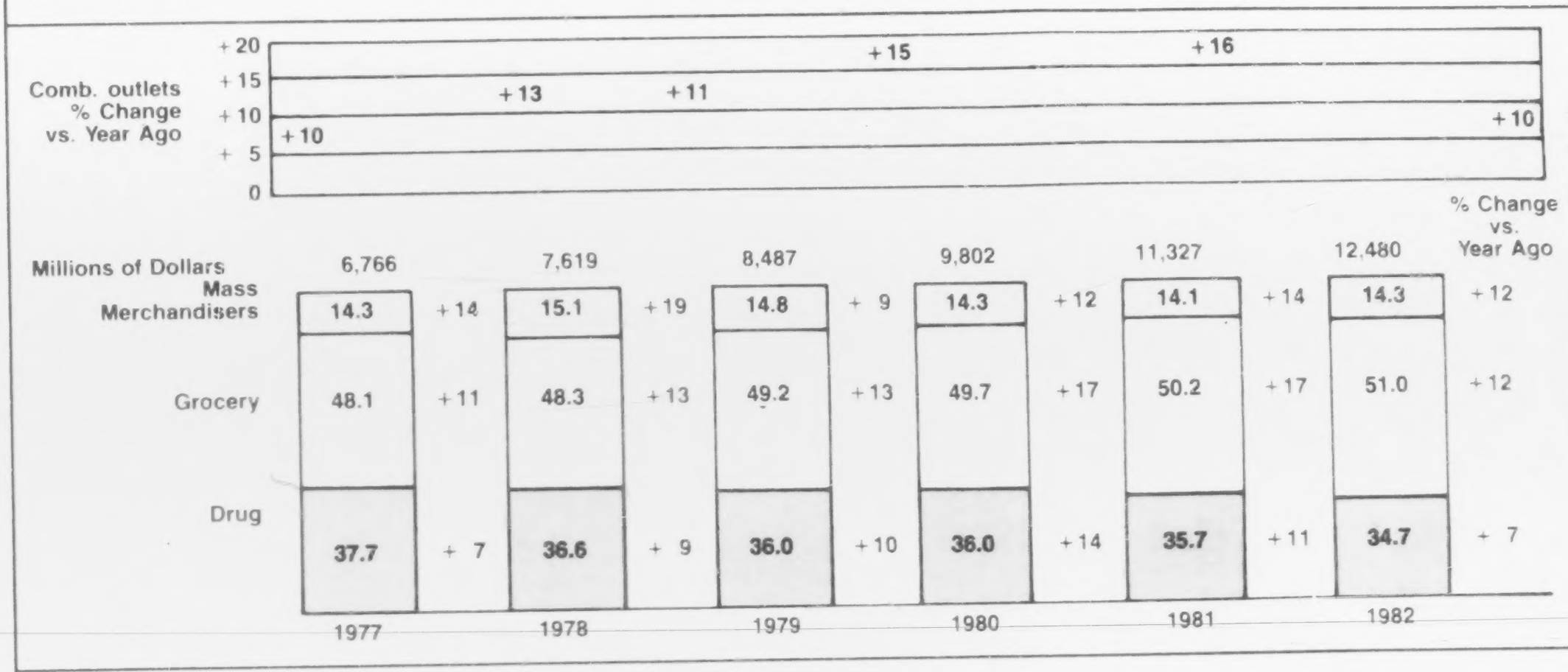

Chart 11

Division of Sales* of 25 HBA's By Outlet Type

(25 Product Groups)

	1977**	1982				1977**	1982		
	Drug	Drug	Food	Mass Merch.		Drug	Drug	Food	Mass Merch.
25 HBA's	37.7	34.7	51.0	14.3	Disposable Diapers	12.5	11.9	77.1	10.9
Hair Preparations	38.4	38.4	45.9	15.6	Foot Remedies	71.3	68.8	22.3	8.9
Razor Blades	30.5	30.0	53.8	16.2					
Aerosol Shave Cream	35.7	33.8	50.7	15.5	Shampoo	32.6	30.1	52.5	17.4
After Shave Lotion &					Deodorants	31.2	30.1	52.5	17.5
Cologne	61.6	61.2	14.9	23.9					
Dentifrices	23.0	22.5	63.0	14.5	Feminine Douches	52.3	45.7	38.2	16.0
Oral Antiseptics	32.1	29.9	54.9	15.1	Sanitary Protection	27.4	25.7	61.8	12.5
Vitamins	79.8	68.8	22.9	8.3	Hand Lotions	51.6	49.5	35.7	14.8
Cold Tablets	45.1	42.0	48.9	9.1	Face Creams	67.0	60.8	23.2	16.1
Sinus Headache					Hair Coloring	61.0	60.3	17.7	22.0
Remedies	47.4	40.6	50.0	9.4	Hair Fixatives	33.5	32.5	47.7	19.7
Topical Antiseptics	46.2	45.7	43.2	11.0	Home Permanents	60.5	56.0	19.4	24.6
Headache Remedies	39.5	39.4	51.1	9.5	After Shampoo Products	40.9	40.9	41.3	17.8
Stomach Remedies	52.1	49.9	41.5	8.6	Bath Additives	53.0	54.5	29.0	16.5

*Based on 12 months ended November-December 1982

**Based on 12 months ended November-December 1977

Chart 12

Five-Year Trend For Drugstores

In order to offer a longer range perspective for drugstores, Chart 10 provides a five-year comparison (1977), in addition to the latest 1982 figures.

In addition to the current loss of one full point, the total share held by drugstores of the 25 product groups has slipped another two points since 1977. By product group, the declines ranged from fractional to the 11 point loss in share for vitamins. Other substantial losses occurred in sinus headache remedies (-6.8 points), about the same for face creams and feminine douches, and from three to four points for cold tablets, stomach remedies, foot remedies, and home permanents.

Drugstores increased their share in only one product group (bath additives) and there was no change in the drugstore position in hair preparations and after shampoo products. In total and by individual product class, the majority of the share gains were picked up by food stores.

Retail Inventories

Average retail inventories declined in both drug and mass merchandiser outlets, and merely held even in grocery stores (Chart 13). This was the fifth consecutive year in which drugstores had reduced their stocks, and they declined another 6%

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in the first two months of 1983.

Selected Cosmetics

Dollar sales of selected cosmetics in drug and grocery stores have virtually doubled since 1978 and totaled $869.2 in 1982 (Chart 14). Although the share held by chain drug outlets advanced just over two points, chain grocery stores almost doubled their share, and may well become an important outlet for these items in the future. Mass merchandisers also added a couple of share points to their total. The share position of independent drugstores, however, declined almost 11 points.

Charts 15 and 16 provide a breakdown of these same cosmetics, by Nielsen territory, for 1978 and 1983 but are confined to drug and grocery outlets only.

As noted last year, the sales development of these cosmetics in grocery stores has been slow in New England, New York and the Southeast. In all other areas, however, the share held by grocery stores has increased substantially and was close to, or above, the national average. Most noteworthy was the Southwest, where grocery stores had advanced to a share of 34%.

Trend of HBA Retail Inventories—By Outlet Type

(25 Major Product Groups-Unit Basis)

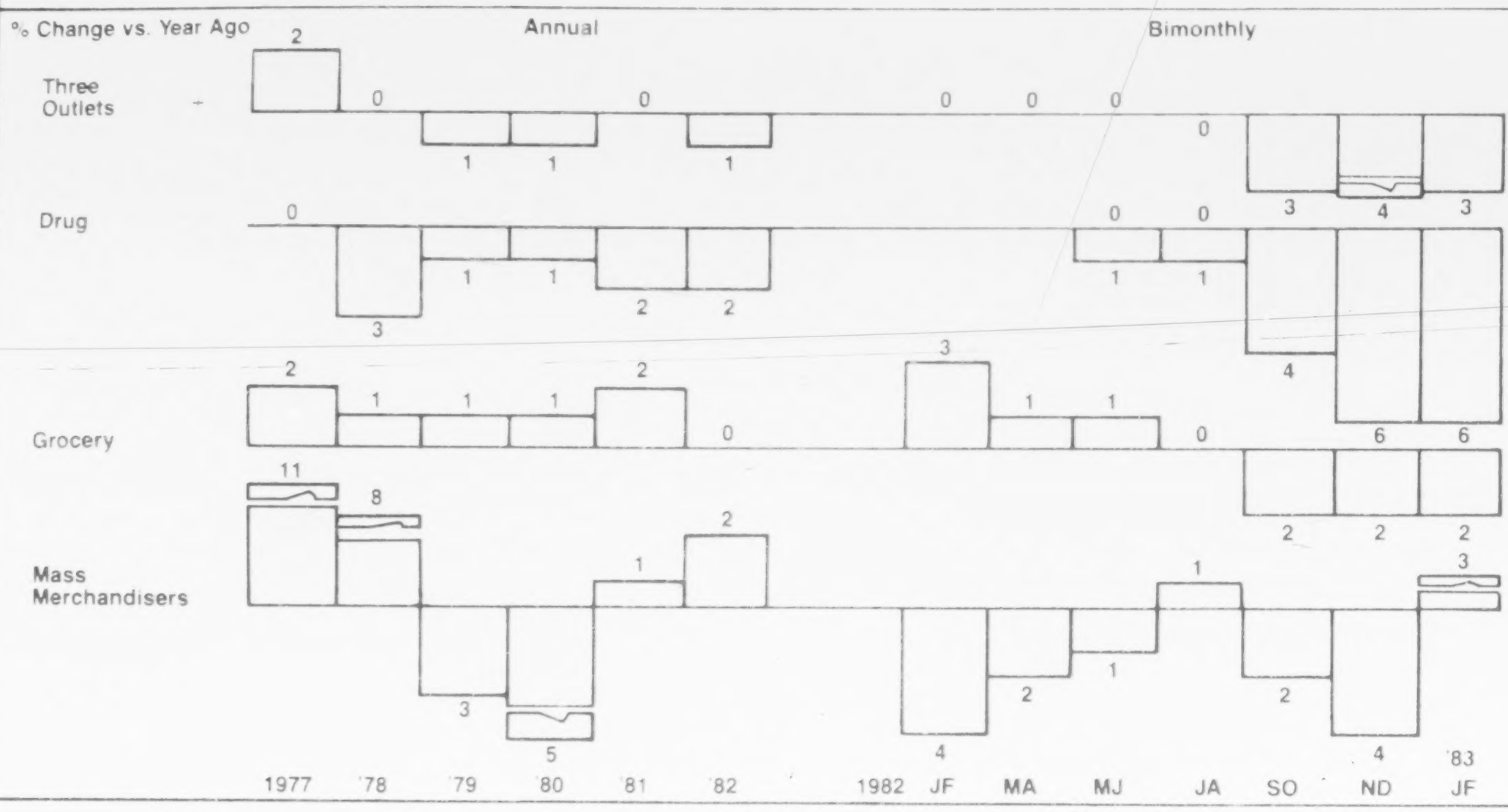
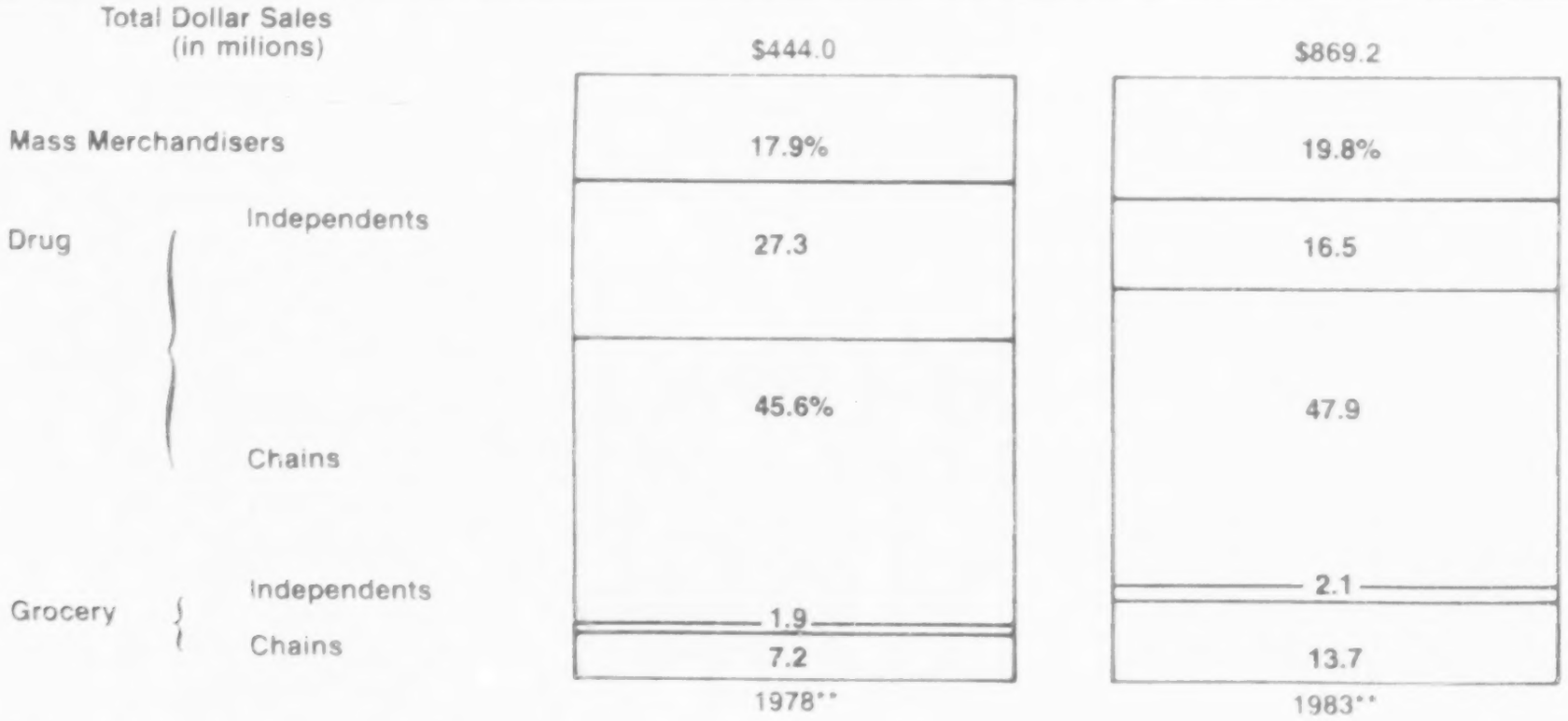


Chart 13

Selected Cosmetics*—Share of Sales by Outlet & Store Type

(Total U.S. Consumer Dollars)



*Mascaras, Eye Shadows, Lip Makeups, Nail Polish, Liquid Facial Makeups **Year ended Jan. 1

Chart 14

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Selected Cosmetics*—Sales By Territory—Drug and Grocery Stores Only

		N.E.	N.Y.	M.A.	E.C	Chi.	W.C.	S.E.	S.W.	L.A.	R.P.
Total Dollars (in millions)	$364.3	12.77	28.87	38.70	41.88	14.76	42.92	52.01	45.26	27.53	59.57
Mkt. Impt.	100.0%	3.5	7.9	10.6	11.5	4.0	11.8	14.3	12.4	7.6	16.4
Division of Sales											
Drug	88.9%	96.3	95.3	92.0	90.0	89.1	89.6	93.5	79.5	81.9	87.1
Grocery	11.1%	3.7	4.7	8.0	10.0	10.9	10.4	6.5	20.5	18.1	12.9
Yr. ended Jan. 1	1978										

*Mascaras, Eye shadows, Lip makeups, Nail Polish, Liquid Facial Makeups

Chart 15

Selected Cosmetics*—Sales & Shares By Territory—Drug and Grocery Stores Only

	U.S.	N.E.	N.Y.	M.A.	E.C.	Chi.	W.C.	S.E.	S.W.	L.A.	R.P.
Total Dollars (in millions)	$696.71	28.73	46.08	64.81	82.29	30.08	70.71	115.64	90.16	51.77	116.44
Mkt. Impt.	100.0%	4.1	6.6	9.3	11.8	4.3	10.2	16.6	13.0	7.4	16.7
% Change vs. Year Ago											
Total	+8	+12	4	10	5	2	2	9	11	7	10
Drug	+6	+10	5	8	2	0	−1	7	14	7	9
Grocery	+13	+40	−6	23	18	13	15	25	6	6	13
Division of Sales											
Drug	80.3%	92.8	90.7	81.0	79.5	80.7	79.3	86.2	66.0	76.8	80.4
Grocery	19.7%	7.2	9.3	19.0	20.5	19.3	20.7	13.8	34.0	23.2	19.6
Yr. ended Jan. 1	1983										

*Mascaras, Eye shadows, Lip makeups, Nail Polish, Liquid Facial Makeups

Chart 16

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Chapter IV

SPACE ALLOCATIONS FOR HEALTH AND BEAUTY AIDS

Some substantial changes in average linear shelf space allocations by drug chains occurred between 1977 and 1982 for the 17 product groups shown on Chart 17. Most noteworthy was the additional footage allocated to hair preparations (+ 25 ft.), 20 ft. more for OTC vitamins and 16 for cold remedies.

In fact, the overall increases totalled 136 feet for these major product classes, but reductions for hair coloring products, aftershave lotions and face creams and lotions reduced the net increase to 122 linear feet.

Charts 18 through 23 provide the opportunity to compare the average space allocations for six of these product groups among three outlet types—chain drug, food and mass merchandisers. In addition to linear shelf space, these charts also provide average dollar sales per foot per month, unit inventories and month's supply.

Drug chains increased their average dollar sales per linear foot in all six product categories in spite of increased space allocations in all but oral antiseptics, where footage allocation was unchanged. In average dollar sales per linear feet, however, food chains maintained their advantage in all six product groups.

Average Space Allocations—
Drug Chains Only
(17 Major Product Groups)

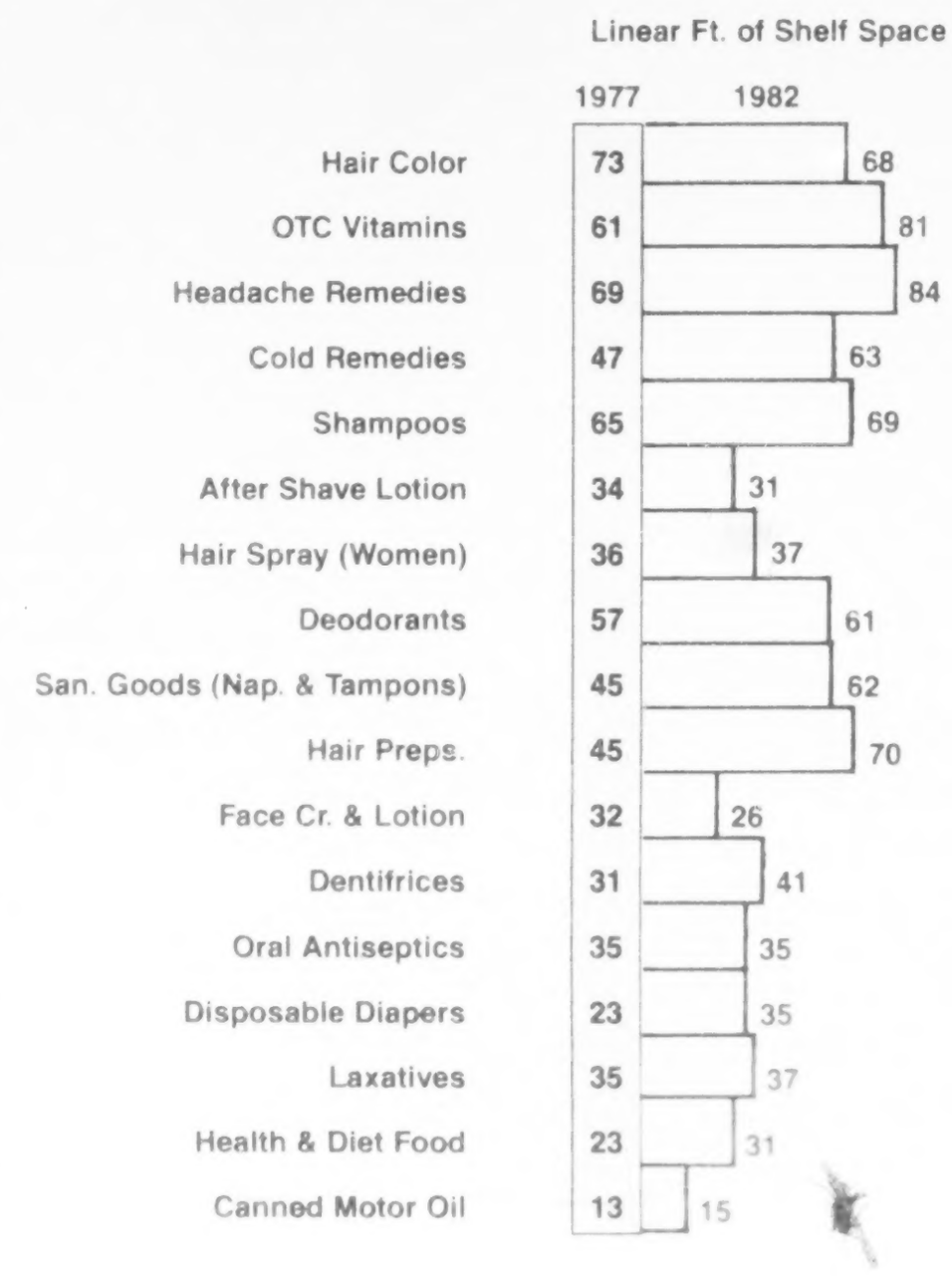
Linear Ft. of Shelf Space
1977
1982
Hair Color 73 68
OTC Vitamins 61 81
Headache Remedies 69 84
Cold Remedies 47 63
Shampoos 65 69
After Shave Lotion 34 31
Hair Spray (Women) 36 37
Deodorants 57 61
San. Goods (Nap. & Tampons) 45 62
Hair Preps. 45 70
Face Cr. & Lotion 32 26
Dentifrices 31 41
Oral Antiseptics 35 35
Disposable Diapers 23 35
Laxatives 35 37
Health & Diet Food 23 31
Canned Motor Oil 13 15

Chart 17

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Headache Remedies
(3 types of outlets)

Avg. Linear Ft. of Shelf Space Per Store

	1977	1982
MM	40	45
Drug Chains	69	84
Food Chains	15	19

Avg. Unit Inventories

	1977	1982
MM	1707	1160
Drug Chains	2289	1401
Food Chains	560	542

Avg. $ Sales Per Linear Ft. Per Month

	1977	1982
MM	$20.81	$32.29
Drug Chains	19.04	22.89
Food Chains	25.41	42.87

Months Supply

	1977	1982
MM	2.4	2.7
Drug Chains	2.2	1.7
Food Chains	1.5	1.3

Chart 18

Deodorants
(3 types of outlets)

Avg. Linear Ft. of Shelf Space Per Store

	1977	1982
MM	62	57
Drug Chains	57	61
Food Chains	18	18

Avg. Unit Inventories

	1977	1982
MM	2744	1650
Drug Chains	1702	978
Food Chains	483	452

Avg. $ Sales Per Linear Ft. Per Month

	1977	1982
MM	$24.34	$32.65
Drug Chains	16.61	24.73
Food Chains	24.42	37.05

Months Supply

	1977	1982
MM	2.5	1.7
Drug Chains	2.6	2.2
Food Chains	1.5	1.4

Chart 19

Oral Antiseptics

Avg. Linear Ft. of Shelf Space Per Store

	1977	1982
MM	32	33
Drug Chains	35	35
Food Chains	8	9

Avg. Unit Inventories

	1977	1982
MM	900	518
Drug Chains	835	461
Food Chains	177	157

Avg. $ Sales Per Linear Ft. Per Month

	1977	1982
MM	$18.09	$20.37
Drug Chains	13.86	14.69
Food Chains	23.18	31.76

Months Supply

	1977	1982
MM	2.1	1.7
Drug Chains	2.3	1.9
Food Chains	1.2	1.1

Chart 20

Shampoos

Avg. Linear Ft. of Shelf Space Per Store

	1977	1982
MM	64	65
Drug Chains	65	69
Food Chains	18	19

Avg. Unit Inventories

	1977	1982
MM	2772	2220
Drug Chains	1689	1187
Food Chains	455	508

Avg. $ Sales Per Linear Ft. Per Month

	1977	1982
MM	$26.97	$34.78
Drug Chains	17.19	25.99
Food Chains	27.55	43.40

Months Supply

	1977	1982
MM	2.2	1.9
Drug Chains	2.5	2.1
Food Chains	1.4	1.3

Chart 21

Dentifrices

Avg. Linear Ft. of Shelf Space Per Store

	1977	1982
MM	29	34
Drug Chains	31	41
Food Chains	13	14

Avg. Unit Inventories

	1977	1982
MM	2389	1861
Drug Chains	1293	1426
Food Chains	609	580

Avg. $ Sales Per Linear Ft. Per Month

	1977	1982
MM	$33.66	$44.55
Drug Chains	18.32	22.29
Food Chains	34.43	55.75

Months Supply

	1977	1982
MM	1.9	1.5
Drug Chains	2.1	2.1
Food Chains	1.1	1.0

Chart 22

Disposable Diapers

Avg. Linear Ft. of Shelf Space Per Store

	1977	1982
MM	34	49
Drug Chains	23	35
Food Chains	19	25

Avg. Unit Inventories

	1977	1982
MM	848	633
Drug Chains	519	278
Food Chains	172	178

Avg. $ Sales Per Linear Ft. Per Month

	1977	1982
MM	$39.55	$49.73
Drug Chains	27.40	30.45
Food Chains	41.11	74.98

Months Supply

	1977	1982
MM	1.3	1.7
Drug Chains	1.6	1.1
Food Chains	0.4	0.4

Chart 23

Chapter V

HOME COMPUTERS, GAME COMPUTERS

Most retailers are always searching for new or different products that will attract consumers, fit into their general merchandising patterns and return a profit commensurate with the necessary investment in dollars and shelf space.

This past Christmas season (1982), Nielsen decided that it would be of interest to see how many drug, grocery, and mass merchandisers were stocking the relatively new personal or home computers, game computers and video game cartridges. We also decided to measure the sales, shares and distribution of these items during the four-month period when these outlets would be most likely to handle them.

Overall dollar sales of these items (for the four months) totaled over $237 million with mass merchandisers responsible for a majority of the sales among the three outlets for all three categories (Chart 24). Video game cartridges generated the highest dollar sales of the three categories and in all three outlets. Drug chains accounted for nearly all of the sales of these products under the "drug" heading. For example, drug chains were responsible for 90% of the 3.9% for home computers, 88% of the 3.4% for game computers and 87% of the 12.0% for video game cartridges.

Distribution of these products for all three categories was minimal in food or grocery stores (Chart 25) during both the November-December and January-February audits—the highest was 9% for game cartridges during the January-February period. It was somewhat higher in drug chains for the home computers (8%) and game computers (15%), but still low. Game cartridges had by far the highest distribution of the three categories in chain drug but was under 50% during both periods.

Chart 26 provides dollar and unit brand shares for all three outlets combined for the top six brands of video game cartridges. Atari leads both lists by a wide margin, accounting for 48.2% of the dollars and over 51% of the units.

A list of the top seven brands, in chain drug outlets only, showed a similar pattern (Chart 27) with the exception of Parker Brothers, which was the third best seller in chain drug and fifth in the three outlet listing. For Chapter 5 beginning.

When measured by sku's in chain drug outlets, Parker Brother's Frogger was the leading seller with a market share of 7.3% (Chart 28). Of the top 10, however, Atari was the dominant brand with six of the top 10 sku's.

Chart 29 offers a review of the best known game—Pac-Man.

Sales and Shares of Home Computers, Game Computers and Video Game Cartridges
(By Outlet and Product Type)

4-Month Period—Nov. 1, 1982 through Feb. 28, 1983

	Drug	Grocery	Mass Merchandisers	Product Totals
Home Computers ($ 000's)	$464.0	$193.3	$11,137.4	$11,794.7
Outlet Share	3.9%	1.6%	94.4%	
Game Computers ($ millions)	$2,457	$3,593	$65,635	$71,685
Outlet Share	3.4%	5.0%	91.6%	
Video Game Cartridges ($ millions)	$18,468	$13,898	$121,672	$154,038
Outlet Share	12.0%	9.0%	79.0%	
Outlet Total	$21,389	$17,684.3	$198,444.4	$237,517.7

Chart 24

Distribution and Out-of-stock
(Total U.S.)

	Food		Drug		Drug Chains		Mass Merchandisers	
	ND	JF	ND	JF	ND	JF	ND	JF
Personal Home Computers	1-0	1-*	5-1	5-3	8-1	8-6	32-9	37-12
Game Computers	5-2	4-1	9-1	10-1	14-1	15-1	82-18	79-8
Video Game Cartridges	8-*	9-1	27-2	32-2	39-3	47-1	87-0	89-0

Chart 25

Leading Brands of Selected Home Computer Video Game Cartridges

4 month period—Nov. 1, 1982 through Feb. 28, 1983
Total U.S.—3 Outlets Combined

Dollar Sales Shares		Unit Sales Shares	
1. Atari	48.2%	1. Atari	51.7%
2. Activision	13.8%	2. Activision	14.7%
3. Intellivision*	12.2%	3. Intellivision*	10.9%
4. Colecovision	12.1%	4. Colecovision	9.9%
5. Parker Brothers	6.8%	5. Parker Brothers	6.0%
6. Imagic	3.7%	6. Imagic	3.6%

*Includes Intellivoice and M Network

Chart 26

Leading Brands of Selected Home Computer Video Game Cartridges

4 month period—Nov. 1, 1982 through Feb. 28, 1983
Total U.S.—Chain Drug Stores

Dollar Sales Shares		Unit Sales Shares	
1. Atari	46.0%	1. Atari	46.7%
2. Activision	20.8%	2. Activision	22.5%
3. Parker Brothers	10.2%	3. Parker Brothers	9.3%
4. Intellivision*	9.8%	4. Intellivision*	8.8%
5. Colecovision	7.3%	5. Colecovision	6.0%
6. Imagic	4.9%	6. Imagic	4.8%
7. VidTec	3.0%	7. VidTec	1.3%

*Includes Intellivoice and M Network

Chart 27

During the four-month period, 369,648 Pac-Man units were sold in the combined outlets with over 309,000 units moving through mass merchandisers alone.

Based on four-months movement only, the annual stock turn in drug chains reached 18.5—the highest recorded in the three outlets. Also noteworthy were the high out-of-stock readings, especially in mass merchandisers. In fact, over one-half of the mass merchandisers handling Pac-Man were out-of-stock sometime during the November-December period.

Charts 30 and 31 provide a summary of two other leading video games—Frogger, and Pitfall. The annual stock turn for Frogger in the three outlets was close to twice that for Pac-Man, and reached 43.2 turns in mass merchandisers. It would appear that the high out-of-stocks in the latter outlets were due to higher-than-anticipated sales.

Pitfall was also popular with 216,006 units moving through the combined outlets. Sales of Pitfall, in both drug and food outlets, were higher than for Pac-Man or Frogger in spite of lower distribution.

It would appear that if consumer's interest in video games continues into the next holiday season, distribution of these items might rise substantially as retailers begin to realize the sales potential of these items. Most important will be the retailer's ability to stock the games or items that are at the height of their popularity, since peak interest seems to be relatively short-lived.

Leading SKU's—Selected Home Computer Video Game Cartridges—I

4 month period-Nov. 1, 1982 through Feb. 28, 1983
Dollar Sales—Total U.S.—Drug Chains

SKU	Market Share
1. Frogger (Parker Brothers)	7.3%
2. Pitfall (Activision)	6.7
3. Pac-Man (Atari)	5.7
4. Donkey Kong (Colecovision)	5.6
5. E.T. (Atari)	5.1
6. Defender (Atari)	3.1
7. Space Invaders (Atari)	2.5
8. Raiders of The Lost Ark (Atari)	2.4
9. Berzerk (Atari)	2.4
10. Star Wars—The Empire Strikes Back (Parker Bros.)	2.3
11. Mega-Mania (Activision)	2.2
12. Star Raiders (Atari)	2.0
13. Asteroids (Atari)	1.8
14. Missile Command (Atari)	1.8

Chart 28

Summary of Pac-Man
Total U.S.—3 Outlets

	4 Months Unit Sales	Annual Stock Turns	Distribution & Out-of-Stock	
3 outlets Comb.	**369,648**	**14.2**	**N.A.**	**N.A.**
Food	26,624	7.1	7-1	7-1
Drug	33,792	16.2	18-6	16-7
Drug Chains	30,437	18.5	28-8	25-10
Mass Merchandisers	309,232	15.3	80-42	68-18
			N-D'82	J-F'83

Chart 29

Summary of Frogger
Total U.S.— 3 outlets

	4 Months Unit Sales	Annual Stock Turns	Distribution & Out-of-Stock	
3 outlets Comb.	**249,546**	**26.5**	**N.A.**	**N.A.**
Food	23,948	15.1	5-1	6-2
Drug	43,107	11.9	16-5	17-7
Drug Chains	39,170	11.3	26-8	26-10
Mass Merchandisers	182,491	43.2	39-20	50-18
			N-D'82	J-F'83

Chart 30

Summary of Pitfall
Total U.S.—3 Outlets

	4 Months Unit Sales	Annual Stock Turns	Distribution & Out-of-Stock	
3 outlets Comb.	**216,006**	**17.5**	**N.A.**	**N.A.**
Food	41,439	19.1	4-2	6-2
Drug	51,714	19.7	11-3	13-7
Drug Chains	42,181	21.6	16-4	17-10
Mass Merchandisers	122,853	16.4	29-18	55-13
			N-D'82	J-F'83

Chart 31

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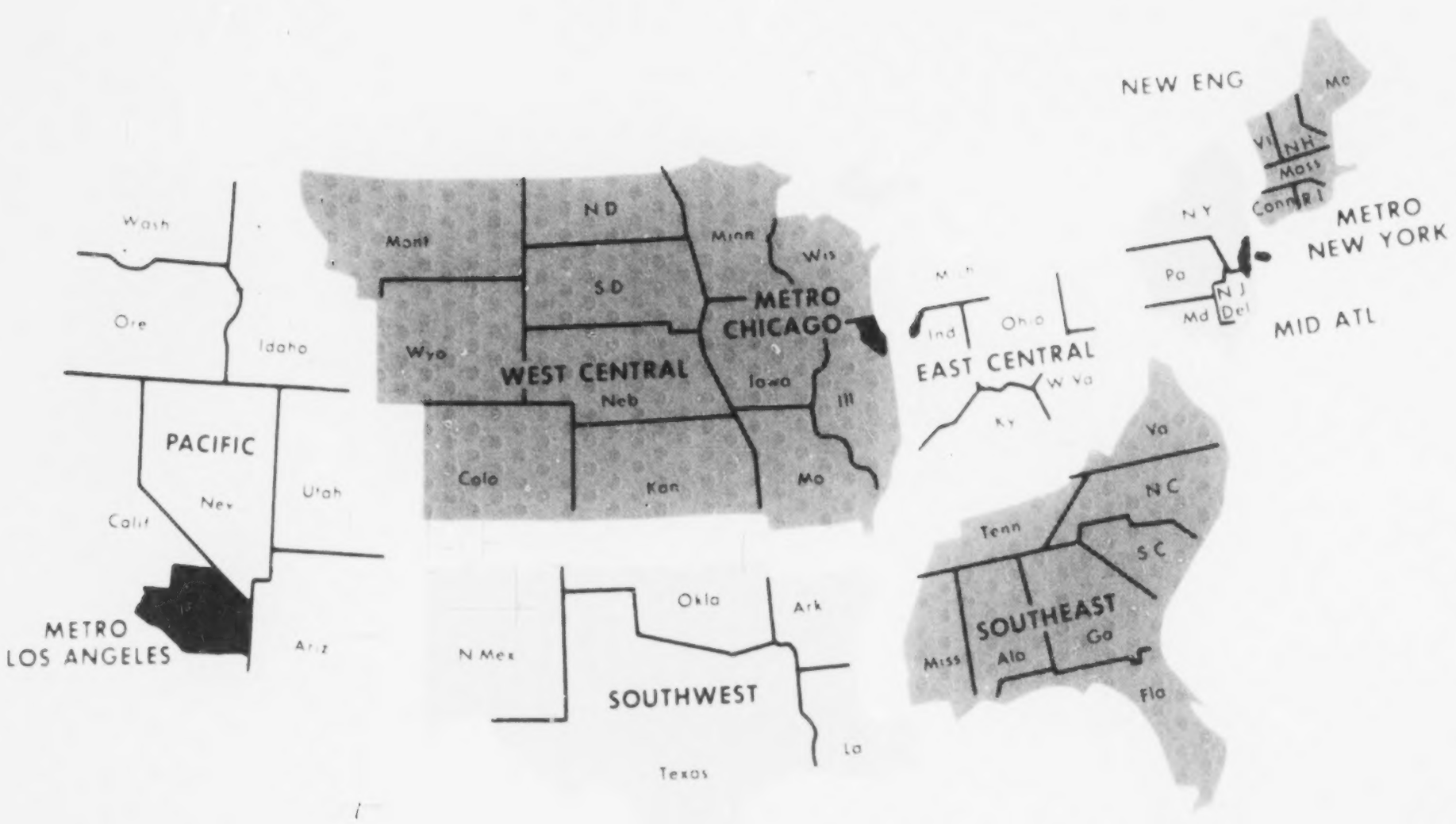
Nielsen Territories



A Special Note to Cooperating Stores

As most of you know, the original and still primary purpose of the Nielsen Annual Drug Review is to provide our cooperators with the latest information available on the state, progress, and trends of the retail drug industry.

We wish to extend our cooperators a friendly invitation to call or write us in those cases where additional details on subjects herein would be helpful. If the material is available, we will be more than happy to supply you with it.

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212/708-7500

NORTHBROOK
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Northbrook, Illinois 60062
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1221 Post Road East
Westport, Connecticut 06880
203/226-6851

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PHARMACY

Pact gives Thrifty, Clark Rxmen top U.S. pay

LOS ANGELES—As a result of the agreement just ratified by nine locals of the United Food and Commercial Workers Union (UFCW), Thrifty and Clark Drug pharmacists are reportedly the highest-paid retail pharmacists in the nation.

The total package—including wages, bonuses, health, welfare and pension funds over the three-year life of the contract—is $5.11½¢ an hour. This is an increase of 32.19% based on the contract which expired June 30, 1983.

The Thrifty and Clark contracts with UFCW will significantly influence upcoming negotiations between 400 Sav-On pharmacists and the Guild for Professional Pharmacists.

After five years of legal maneuvering, Sav-On was ordered by the United States 9th Circuit Court of Appeals to negotiate with the Guild on a union contract. At present, Sav-On pharmacists are paid a base rate of $16.20 an hour plus an average monthly bonus of $160. Sav-On pharmacy managers receive $16.20 an hour plus an average monthly bonus of $400.

Highlights of the new Thrifty and Clark contracts are:

1. *Wages.* A first-year increase of $1.31 an hour, added to the old rate of $15.89, brings the total hourly scale to $17.20 at the end of the first year. Increases of $1.30 the second year and $1.50 the third take the wage rate to $20 by Jan. 1, 1986. The total wage increase is 25.87% over the life of the contract.

In addition, Thrifty pharmacy managers (called head pharmacists by Thrifty) will continue to receive 50¢ an hour, while head pharmacists at Clark receive 5¢ a script.

2. *Incentive plan.* If a single shift averages 60 or more prescriptions per day, the pharmacist receives 3½¢ per script for each script filled. If it's a two-shift store (that is, with two or more 40-hour pharmacists), then the average minimum script-fills a day is 110 and each pharmacist will share the 3½¢ per script on a pro-rated basis. Clark head pharmacists will also share in the 3½¢ per script plan in addition to receiving the 5¢ per script carried over from the old contract.

Thrifty has also agreed to use the grievance machinery on ancillary staffing.

During a grievance procedure, which will be implemented during the next several months, the pharmacist will fill out the form, provided by the union, indicating volume and how much clerk-help he is receiving. He will also indicate whether he has asked the store manager and the pharmacy supervisor for additional help and whether they gave him that help.

If the pharmacist receives no relief, then he signs the grievance form and mails it to the union. The union, in turn, will file a grievance with Thrifty's main office. Then the union and Thrifty will discuss the merits of increasing the staff.

Generics gain share on antidepressant leaders

Antidepressant prices rise as margins fall

Drug Description	Manufacturer	% Retail market share Rxs 5/83	% Retail market share Rxs 8/80	Average price 5/83	Average price 8/80	% Retail margin* 5/83	% Retail margin* 8/80
Elavil 25mg	MSD	6.2	8.8	$10.56	$ 8.89	32	40
Triavil Tabs 2-25mg	MSD	5.8	7.0	19.64	14.57	19	24
Desyrel 50mg	Mead Johnson	5.2	—	14.36	—	30	—
Amitriptyline 25mg	Generic**	4.9	3.3	5.63	6.00	75	67
Sinequan Caps 25mg	Pfizer	4.3	4.6	12.05	11.78	31	31
Triavil Tabs 2-10mg	MSD	3.9	5.1	15.98	12.27	23	30
Amitriptyline 50mg	Generic**	3.7	2.3	6.62	6.98	59	60
Limbitrol 5-12.5mg	Roche	3.4	—	15.68	—	27	—
Elavil 50mg	MSD	3.3	5.0	14.38	11.55	27	33
Triavil Tabs 4-25	MSD	3.0	3.4	21.65	16.64	19	23
Limbitrol 10-25	Roche	2.9	3.5	20.62	14.46	22	28
Sinequan Caps 50mg	Pfizer	2.9	3.3	14.94	14.61	28	28
Asendin 50mg	Lederle	2.5	—	15.50	—	28	—
Ludiomil 50mg	Ciba	2.3	—	19.35	—	24	—
Elavil 10mg	MSD	2.3	3.8	7.28	6.30	46	54
Imipramine 25mg	Generic**	2.3	—	4.43	—		
Ludiomil 25mg	Ciba	2.2	—	14.28	—	29	—
Tofranil Tabs 25mg	Ciba	2.1	3.2	14.65	11.69	27	32
Imipramine 50mg	Generic**	2.1	—	10.16	—	43	—
Adapin Caps 25mg	Pennwalt	1.9	1.3	11.01	10.52	33	33
Adapin Caps 50mg	Pennwalt	1.5	—	12.86	—	30	—
Desyrel 100mg	Mead Johnson	1.3	—	21.52	—	23	—
Tofranil PM Caps 75mg	Ciba	1.2	1.7	20.25	15.88	22	27
Norpramin 50mg	Merrell	1.2	1.3	13.44	17.71	30	23
Etrafon Tabs 2-25mg	Schering	1.1	1.6	21.24	15.97	20	23
Top 25		73.5	74.3	13.14	11.75	25	32
Other		26.5	25.7	18.95	12.57	34	30
Total		100.0	100.0	14.62	11.96	28	32

*Per cent retail margins are based on average wholesale prices.

**Includes prescriptions filled with other than nationally promoted brands of amitriptyline and imipramine.

Source: Decision Data

ARLINGTON, Tex.—In the 33-month period between market readings, script prices for the leading antidepressants rose an average of 12%, while retail margins fell 22% (or an average 7 percentage points), reports Decision Data, a pharmaceutical market research firm based here.

In contrast to this trend, the growing generics segment of the antidepressant market has experienced a decline in retail prices, while margins have gained. For example, the average script price for amitriptyline 25mg (generic) fell 6%, at the same time that its retail margin rose 8 percentage points, or 12%.

Price and margin fluctuations were part of an overall shifting in the antidepressant script market. For example, Merck Sharp & Dohme lost almost 10 percentage points in market share (down from 34.2% in August 1980 for the top 25 products to 24.5% in May 1983), while other manufacturers and the generic lines were quick to pick up the lost ground.

Mead Johnson's new introduction (early 1983), Desyrel, captured 6.5% of the market share, while Lederle's Asendin also appeared in the top 25 products with a 2.5% share.

Ciba captured a small market share increase in the 33 months with the fine showing of its two Ludiomil products.

In the report on antidepressants, refills accounted for 62% of total scripts among the top 25 products, a reasonable figure for this drug category. Average prescription quantity dropped slightly to 60 from 63 in the August 1980 report, according to Decision Data.

British develop herpes vaccine

NEW YORK—An effective new preventive vaccine for the treatment of herpes is in development says a British researcher.

The product, now being tested, is not a cure for the disease. But the vaccine can lessen the number of recurrences among herpes victims, according to Dr. Gordon Skinner of the University of Birmingham.

An experiment involving 300 people without herpes but at great risk from their partners was conducted. The test group was inoculated over two years.

Skinner, who is researching the sexually transmitted disease, said two of the 300 people in the test contracted a herpes infection.

If unvaccinated, it would be expected that 100 people would have gotten the infection over the one year postinoculation monitoring period. "That is two vs. an estimated 100 who might have gotten the disease," said Skinner.

F.D.A., industry step up consumer education efforts

Joseph Caputo, RPh
Pharmaceutical Editor

The pharmaceutical industry and the Government are more consumer conscious than at any point in recent memory. Both the F.D.A. and industry are implementing programs that will offer patients some long-range benefits and will go a long way toward dispelling gaps in consumers' health-related education.

Several pharmaceutical companies offer patient education materials for major therapeutic areas.

For example, Pfizer kicked off its educational program earlier this year. And Upjohn issued brochures which address arthritis treatment with nonsteroidal antiarthritics such as Motrin.

Now SKF is distributing patient information publications via physicians and pharmacists on such top-selling drugs as Tagament and Dyazide. These publications feature information such as side effects, considerations when taking the medication (especially with other drugs), and descriptions of high blood pressure and ulcer disease. Special precautions for specific patients are also noted. Consumers are also made aware of each products' appearance.

F.D.A. is also trying to improve the quality of products available to consumers, but the agency is using a much different approach. F.D.A. personnel are pushing for Congressional action which would allow drug manufacturers to include the approved New Drug Application (NDA) number on all drug labels. If approved the action would facilitate pharmacists' ability to determine the approval status of multisource as well as new drugs.

Some unscrupulous suppliers intentionally mislead pharmacists into thinking a particular product is F.D.A. approved while, in fact, the product lacks approval.

Consumers will benefit from the F.D.A. proposal because pharmacists will quickly be able to determine a product's status—approved or unapproved.

Consumers will also benefit from the patient informational booklets being distributed through physicians and pharmacists as part of the joint launch of Zantac by Glaxo and Roche. Information provided in the booklet highlights the causes of peptic ulcer, diagnosis of the disease, alternative drug therapies, types of surgical intervention, and the effects of diet.

These programs should be reassuring to patients, they will know more about their conditions and the medication prescribed. More information will diffuse consumers' suspicions, answer their unasked questions, and better inform patients—goals we should all strive toward.

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MERCHANDISER

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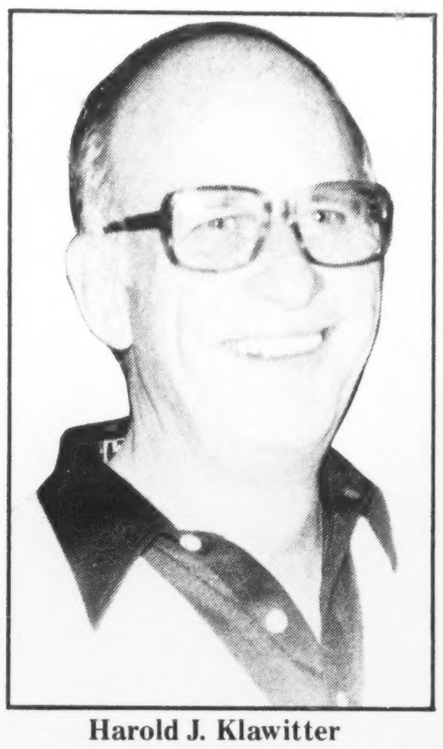

Harold J. Klawitter

Vincent Gardner

Gardner to head new NACDS Rx, health unit

WASHINGTON—The National Association of Chain Drug Stores has named Vincent R. Gardner to head up its new Pharmacy and Health Affairs Department, Robert M. Bolger, president of the association, announced.

The new department is a consolidation of two former NACDS departments—Pharmacy Affairs, which had been headed by Kathleen McGee before her departure to become executive director of the Retail Drug Institute, and Health Programs, headed by Gardner.

Bolger also announced that Harold J. Klawitter, formerly vp-professional services at Gray Drug Fair, has joined the staff of the new department.

"The primary problem facing the industry today is the reimbursement policy for professional services," Bolger said. "The new department will provide NACDS with the opportunity to develop and coordinate plans for dealing with this issue."

The announcement of the merger comes on the eve of the NACDS Pharmaceutical Affairs Conference in Phoenix Aug. 29-Sept. 1. Not coincidentally, a main theme of the conference will be the threat posed by inadequate pharmacy reimbursement from Government and other third-party agencies.

On Wednesday morning, Aug. 31, for example, three top chain drug executives who are also pharmacists—Henry A. Panasci Jr. of Fay's, Jack A. Robinson of Perry and James I. Harrison Jr. of Harco—will talk

Continued on page 56

LATE NEWS

SUPERMARKETS GENERAL, parent company of Pathmark drug stores, reported that net income for the quarter ended June 30 increased 5% to $13.1 million, or 74¢ a share, from $12.5 million, or 74¢ a share, in the corresponding period last year. Year-ago results included a gain of 16¢ a share from an insurance settlement. Sales for the quarter rose 10.4% to $899.1 million from $814.6 million last year. For the six months, net income increased 14.9% to $19.3 million, or $1.09 per share, on sales of $1.7 billion.

Walgreens & a few others delete home computer lines

By Mike Dunn

NEW YORK—Walgreens and a handful of other drug chains have dropped out of the sale of home computers because of the volatility of the market, but most chains that were committed to the business last Christmas intend to sell the products again this year.

Other chains that have dropped their home computer lines include Medi Mart and Drug World. In addition, Longs has taken a more conservative approach because the market has changed in recent months.

Among the chains that sold the machines last Christmas, Pay 'n Save, Eckerd and Big B still have the products on the shelves now and plan to sell them again this Christmas.

Walgreens had carried the Commodore VIC 20 and the Timex Sinclair for the past five months, but dropped the lines because of the category's volatility. Both Medi Mart and Drug World sold the Timex Sinclair units.

A Walgreens spokesman said management is "standing back and looking at the market before determining our future role in marketing personal computers and their related software."

A source who closely follows the chain said customers simply were not buying the machines.

"The market softened after people started asking their

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The volatility of the home computer market is underscored by this photo taken seven months ago. Since then the retail price of the Commodore VIC 20 has dropped to less than $80.

Revco D.S. to revamp Sommers

SAN ANTONIO—Revco D.S. is remodeling and remerchandising eight Sommers Drug Stores acquired from Malone & Hyde in an effort to boost its share of the lucrative San Antonio/Austin drug store market.

Revco purchased eight of the remaining 12 Sommers Drug stores, but closed one. The remaining four are still operated by Memphis, Tenn.-based Malone & Hyde, which has shifted its expansion focus from drug stores to auto parts units.

For Revco, headquartered in Twinsburg, Ohio, the purchase provides extra muscle in the understored San Antonio and Austin areas. In both markets, Revco has found success with

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Perry, Dart rev up for auto market race

CHICAGO—Two veteran drug store operators, Perry and Dart Drug, are going head to head in what appears to be an emerging battleground for the Windy City's retail auto aftermarket.

Trak Auto, the chain of discount auto parts and supplies stores recently spun off by Dart, plans to open as many as 40 new outlets here by the end of 1984. Trak also plans to open a 140,000-sq.-ft. distribution center here to serve a long-range projection of up to 150 stores.

Perry, which operates one Auto Works store and 14 drug/auto combination stores here, is already eying sites here for expansion of its auto supplies operation. Perry is also currently negotiating to acquire Fleenor's, an Indianapolis-based chain of auto supplies stores.

"We have targeted Chicago as a key area for expanding our Auto Works operation," said Berl Falbaum, spokesman for Perry Drug.

Like Perry, Trak Auto is targeting suburban shopping cen-

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Cleveland's top 2 deep discount drug stores merge

By Faye Brookman

CLEVELAND—The merger of the two largest deep-discount drug stores here—Marc's with $25 million in annual sales and Shulman's with $20 million—creates a retailing behemoth in this highly competitive market.

Under the ownership of Marc Glassman of Marc's, the two outlets combined now command about 13% of the total $325 million spent in Cleveland-area drug stores.

Glassman acquired Shulman's for an undisclosed amount from Theresa Shulman, owner of the 20,000-sq.-ft. unit in East Gate Shopping Center. Shulman had taken over the operation of the store following the death of her husband Bernie in 1975.

Glassman, who trained in the deep-discount business at Shulman's, is expected to retain the Shulman's logo on the store. Shulman's two daughters, Colleen Taylor and Shelly Brinnager, will stay on at the store. Theresa Shulman is expected to move to Florida to operate another deep-discount unit which she still owns.

For Glassman, the acquisition brings him into a new and affluent market that contrasts with the blue-collar area served by his 18,000-sq.-ft. unit in the Southland Shopping Center. It not only gives him greater clout against other deep-discount competitors, such as Jax and Jote's, but also against local chains including Gray Drug Fair and Revco. While some of these retailers suffered a rough 1982, Glassman's store flourished with sales rising 47%.

Glassman has built his success by taking merchandising concepts from Shulman's and broadening the mix to include such categories as food. Unlike some other deep-discount operators, both Marc's and Shulman's have pharmacies.

With gross margins in the 16% to 20% range, Glassman's store goes into the black at the $4 million mark, according to industry sources, who estimate that his operation netted $2 million last year before taxes.

Glassman has talked in the past about plans to franchise his concept, as Drug Emporium has done with such success. The possibility exists that with his sales volume swollen by the Shulman's purchase, Glassman may now attempt to take his company public.

Marc's was one of many deep discounters spawned by the success of F&M and Shulman's, the pioneers of the low-margin business. Others include Freddie's in Rochester, N.Y., Drug Emporium in Columbus, Ohio, and Pete 'n Larry's in Buffalo, N.Y. Once only a force in economically depressed areas, deep discounting has become so popular it has spread across the United States.

Short supply slows contraceptive sponge rollout

By Mike Dunn

LOS ANGELES—National rollout of the new contraceptive sponge has been delayed because the manufacturer, VLI Corp., has been unable to meet demand in the 12 Western states that became the initial market in early July.

Drug chains have reported excellent sales of the Today-brand sponge, and some, such as Sav On, report being unable to obtain all of the product they ordered. The Los Angeles-based chain said it had received only 200 cases out of 720 ordered and discontinued advertising until supplies are increased.

Thrifty, on the other hand, said it had received all of the merchandise it ordered and said sales have been "outstanding."

VLI had originally planned to begin national distribution of the sponge, which is considered 85% effective, on Sept. 1, but has now set Nov. 1 as the tentative target date.

The company plans to begin supplying Southeastern and Southwestern states on Sept. 1. VLI began shipping the product to wholesalers and drug chains in the middle of June and it first appeared on drug store shelves around July 1.

Sales have been growing so fast that they have had to be reforecast every month, according to Anne Bellegia, vp of marketing and sales for VLI.

The success of the OTC contraceptive came despite some criticism that the Food and Drug Administration's approval was premature.

During a hearing before the House Subcommittee on Intergovernmental Relations and Human Resources of the Committee on Government Operations, subcommittee members raised questions about the presence of suspected carcinogenic substances and the risk of toxic shock syndrome.

Ted Weiss (D-N.Y.), chairman of the subcommittee, said he was dissatisfied with the F.D.A. approval.

However, Bruce Vorhauer, president of VLI and inventor of the sponge, told the subcommittee, "There has not been a single piece of evidence demonstrating any safety problem or even any question about the safety of the sponge. More than 2,000 women were involved in these studies which have been going on now for about six years."

Before changing to a polymer that Vorhauer called safer than the one used in tests, Vorhauer said a woman would have to wear 358,000 sponges a day for 1¾ years to reach any risk of cancer.

Regarding the chances of toxic shock syndrome, Bellegia told *Drug Store News* in a telephone interview that bacteria believed to cause toxic shock were mixed with sheep's blood and put into the sponge and allowed to incubate for up to 28 days. In no case did the sponge allow the bacteria to grow, she said.

The sponge is a polyurethane material impregnated with one gram of spermicide. The sponge is inserted the same way as a diaphragm and covers the cervix. Protection is provided for 24 hours.

It works in three ways: The spermicide attacks the sperm, the sponge acts as a barrier to the cervix and it absorbs the sperm.

Bellegia said the disposable sponge does not pose any of the hazards of tampons. "It's not recommended for use during the menstrual period when women are most susceptible to toxic shock. The sponge is round and smooth and has no microabrasions as tampons have. Also, it's not highly absorbent as tampons are. It's nothing like a tampon," she said.

The 12 Western states that make up the initial market for the sponge are Alaska, Washington, Oregon, California, Nevada, Arizona, Utah, Colorado, New Mexico, Idaho, Montana and Wyoming.

"There is a lot of demand," said Bruce Lewis, a spokesman for the McKesson Corp., which is distributing the sponge. "It's considered a hot product here."

At 80% of the 400 stores served by McKesson's Los Angeles warehouse, 441 units were sold in the last week of June.. That figure jumped to 2,435 for the month of July, Lewis said.

Drug King in Van Nuys, Calif., reported 2,400 units sold by mid-August. Each unit is a package of three sponges.

"We're doing very well with it," said Robert Barry, vp of marketing for Drug King. "We've been selling it on the top shelf of the contraceptive section near creams, lotions and gels. We're also doing some case stacking," he said.

The new product is providing retailers with hefty gross margins, ranging from 33% to nearly 50%. The suggested retail price for a package of three is $3. However, prices at Western drug chains range from a low promotional price of $1.99 to a high of $3.99.

Bellegia at VLI said the product does not yet appear to be price sensitive. Most chains

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—News in brief—

Revco to test 'Voicemitter'

TWINSBURG, Ohio—Revco Drug Stores and the American Medical Alert Corp., manufacturer of a computerized health emergency device for the home, have launched a limited test marketing venture in Revco's two freestanding convalescent aids stores.

Under the agreement, AMAC's "Voicemitter" device will be sold or rented to retail customers through Revco's health care outlets in Cleveland and Winston-Salem, N.C. The Voicemitter, a device similar in appearance to an electronic garage door opener, allows the elderly, infirm, handicapped or shut-in person to convey by telephone a health care distress signal to any designated second party.

The push-button device, attached to the customer's own telephone, relays a signal to a central computer at Revco's Citadel Alarm Systems subsidiary, which is programmed to transfer the call to a designated respondent. Citadel installs and services burglar alarm systems in all Revco drug stores, as well as in other commercial and residential locations.

Doctors, relatives, emergency medical technicians or any other respondent can be quickly contacted in case a Voicemitter client has a medical emergency in his or her home.

Dart promotes 2 execs

LANDOVER, Md.—The Dart Drug Corp. has promoted Neil Kaplan to senior vp of sales and Stephen Hansbrough to senior vp of distribution and data processing.

Kaplan joined Dart Drug in 1975 as director of advertising and was promoted to vp for sales two years later. In his new position, he will be responsible for all advertising and sales promotions for Dart Drug, Crown Book and Trak Auto stores.

Hansbrough also joined Dart in 1975, serving as director of distribution. In 1978, he was named vice president of distribution and data processing. In his new capacity, he will oversee all distribution and data processing activities for Dart's retail drug, book and auto supplies divisions.

Dart operates more than 250 stores, including drug, home center, book and auto parts outlets, in the Washington, D.C.; Richmond, Va., and Los Angeles, San Diego, Houston and Chicago areas.

F&M opens 11th Ann Arbor store

ANN ARBOR, Mich.—F&M Distributors has opened its 11th deep-discount operation here in this University of Michigan town. The latest store is located in an off-price shopping mall called Arborland. Eight of the units operated by the Warren, Mich.-based company are in Michigan.

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A&P to buy Kohl's food and drug chain

MONTVALE, N.J.—The Great Atlantic & Pacific Tea Co. has signed a letter of intent to acquire Kohl's Food Stores, Wisconsin's leading supermarket chain. The acquisition, if approved, will also affect four drug stores owned by Kohl's.

The Milwaukee-based Kohl's chain of 63 supermarkets, six beverage stores, four drug stores and three bakeries is owned by Batus Inc., the Louisville-based subsidiary of B.A.T. Industries.

Batus, a diversified holding and management company with interests in the United States tobacco, retailing and paper industries, operates Gimbles Department Stores, Marshall Field's Department Stores, Saks Fifth Avenue, Ivey's of Carolina and Florida and Crescent & Thimble Specialty Stores. Its 1982 sales were $5.6 billion.

The four drug stores—two Drug Fair pharmacies plus the South Ridge and Elmbrook Plaza pharmacy—were opened by Kohl's during the past two decades in freestanding locations adjacent to Kohl's supermarkets.

Prescriptions account for approximately 45% of total sales in Kohl's two smaller stores, which average 3,000 sq. ft. of sales space, and about 29% of sales in the two 9,500-sq.-ft. larger stores.

The four stores generated sales of $1.8 million in 1976, $2.1 million in 1979 and $2.65 million in 1981, the most recent period for which figures were available.

With more than 25 stores in the Greater Milwaukee Area, Walgreens is by far the major drug store chain in southeastern Wisconsin. Union Prescription Center pharmacies, as well as several mass merchandise stores with pharmacies, also account for a major share of the drug store volume.

Thrift solves home health care inventory problem with endcaps

By Allen Mundth

PITTSBURGH—Thrift Drug may have found a remedy for the inventory headaches that often accompany a chain's expansion into the growing home health care business.

In agreement with a local home health care retailer, the 365-store J. C. Penney division has installed 4-ft. endcaps in more than 100 drug stores, explaining to consumers that numerous home care products are just a free phone call away.

Signs, color photographs and illustrated brochures convert the dark blue and bright yellow endcaps into "informational kiosks," triggering interest in the sales or rental of durable medical equipment. Called "Thrift-Care," the medical supplies service is being billed as another "Rxtra" service from Thrift Drug. "Rxtra" is the tag line for an institutional ad campaign promoting the professional health care services offered by Thrift.

The endcap program sets Thrift apart from other drug chains entering the home health care business by limiting its investment to the cost of the plastic endcaps, the informational brochures, a toll-free phone number and considerable advertising support.

"The beauty of this system," observes Thrift vp for market-

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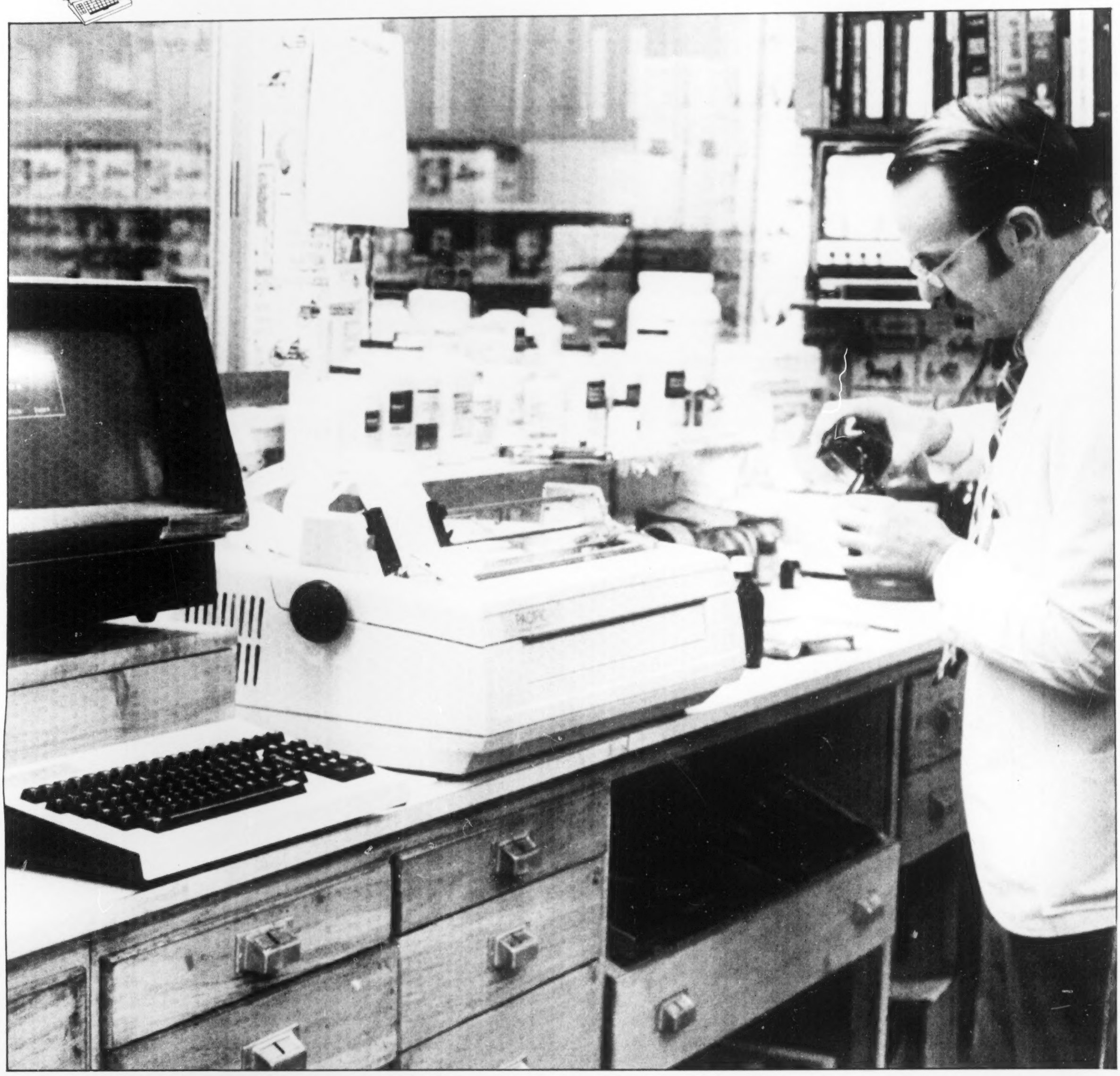
Thrift drug has installed endcaps in more than 100 of its stores promoting the home health care products available through its "Thrift-Care" service.

PHARMACY



Rx computer use increases as costs fall

With computer prices coming down, chain executives expect that by the end of the decade stores with low to moderate prescription volume will be able to cost-justify investments in computer technology.

Currently 15% of all pharmacies already have computers, but that number is expected to escalate to 50% by the end of 1985.

According to an exclusive *Drug Store News* survey, the two main reasons today for investing in computers are third-party processing and price-update efficiency.

Among the 27 chains that responded to *DrSN*'s second annual computer survey, 43% cited third-party claim processing as the primary reason for investing in a computer.

Another 39% named prescription price updates as their prime reason for investing in a computer, while 32% cited labor savings and speed of use, respectively.

Irwin Livon, vp of professional services at Gray Drug Fair, put third-party processing, inventory control and listed price updates on the laundry list of reasons Gray committed to computers, while Robert Kashmer, in-store computer supervisor for Hooks Drug, stressed reliability, speed and accuracy of information as his top priorities.

The survey results clearly revealed that the benefits gained from investing in pharmacy computers unconditionally justified their cost. Among the functions listed as cost-justified were third-party editing and billing, chosen by 89% of the respondents; price updates/accurate billings, 86%; patient profiles and tax information, 39%; labor savings/efficiency of use, 32%, and marketing tools and inventory controls, 18%, respectively.

Most of the chains surveyed moved cautiously before determining the type of system to install. Four out of every 10 chains tested at least two computer systems before making a commitment, while 2 out of every 10 respondents tested three or more systems before electing to commit to one.

For the future, many respondents saw the likelihood that sophisticated pharmacy systems will expand to low to moderate prescripton volume stores.

"Today, for a store to justify an on-line system, it should have a script volume of approximately 3,000 Rxs per month," said Harvey Dolman, a pharmacist and vp for Super X Drugs in Ontario, Canada.

"But," he added, "as the computer market expands and computers become less expensive, lower-volume stores will certainly take advantage of computer services."

"Computerization of third-party claims cuts down on paperwork, results in fewer rejected claims and produces a faster turnaround time for claims," points out Kandyce Daley, director of Pharmacy Systems at Fay's Drug, Liverpool, N.Y.

"When we went to tape submissions for third-party claims, the turnaround dropped from 30 days to seven," she said.

APEX DRUG, Novi, Mich.—Apex uses 3 P.M. time-sharing system, Pharmaserv, and now has 32 units on line. Among the chain's priorities for the system are direct control of pricing, comprehensive editing of third-party forms and enforced generic substitution. Approximate cost of the system, $700/month per store.

CROWN DRUG, Advance, N.C.—Crown has been slowly adding IBM Series I communicating stand-alone units since 1982 and expects to have at least eight computers with QS I (Smith Data Processing) software by 1984. Chain estimates the cost to be approximately $25,000 per unit with extra charges for maintenance, price updates and software additions.

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42 • Wholesalers' line-up of available systems

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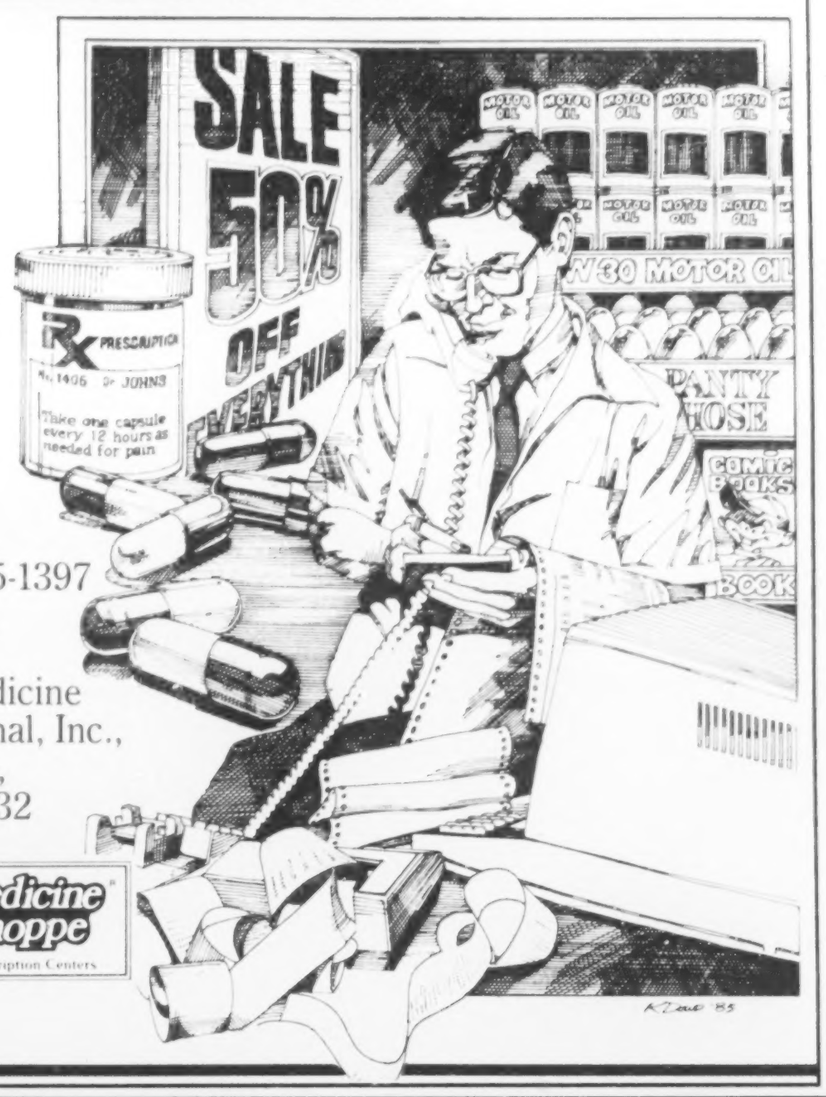

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Price

Continued from page 33

PEOPLES DRUG STORES, Alexandria, Va.—Peoples will have stand-alone pharmacy computers in some 50-70 stores this year and plans to increase that number to nearly 90 in 1984. The Honeywell COMPASS system is the computer used by the chain. According to MIS vp Glen Tarsha, it is only a matter of time before the computer efforts at the chain expand beyond the pharmacy and into more total store functions, such as POS and inventory control.

PERRY DRUG STORES, Pontiac, Mich.—Perry has begun installing communicating stand-alone pharmacy computers and expects to have up to 10 units in place by the end of 1983. Next year's plans depend on test results. Key functions that led to the cost-justification of the system included third-party processing, price updates, increased efficiency of pharmacists and inventory control.

PHARM-ESCOMPTES JEAN COUTU, Longueil, Quebec—Based on a Honeywell DPS7 CPU, this chain has developed its own time-sharing pharmacy computer system for use currently in some 70 stores. In the near future, the chain will be looking into a point-of-sale feature for the system, but now cites response time, security and reliability as the most important features.

REVCO D.S., Twinsburg, Ohio—NEC hardware is the backbone of Revco's 200 stand-alone pharmacy computer units, which employ General Computer Corp. (a Revco subsidiary) software. Price updates, third-party data capture and communication between the store and headquarters are considered most important features. Chain may eventually add a POS function to the system.

RIBORDY DRUG, Valparaiso, Ind.—After testing four pharmacy computer systems, chain opted to go with Pharmacom's time-sharing system. Though the system now in place in nine Robordy stores is not adaptable to a POS function, Robert Coican expressed an interest in this feature as well as automatic reordering and instant credit checks on customers.

RIX SUPER DRUG, Auburndale, Mass.—Rix chose Pharmacom system after testing a few others. Plans call for expansion to at least six units in 1984 from three this year.

SENTRY DRUG STORES, Romulus, Mich.—3 P.M. time-sharing system was the first and only choice of this chain. All 15 stores have units on-line with features such as third-party processing and price updates.

SHOPPERS DRUG MART, Willowdale, Ontario—SDM combines 25 time-sharing units, 25 communicating stand-alone and five noncommunicating stand-alone terminals to service the various needs of selected pharmacies throughout the chain. Before the end of the year, SDM expects to have 74 computers in stores and another 26 in 1984.

SNYDER DRUG, Hopkins, Minn.—Snyder's Ed Pelant explained the company is now testing two Honeywell COMPASS stand-alone computers at a cost of approximately $25,000 each. Plans for 1984 will be made after test results are analyzed.

updates, 3rd-party claims spur computer use

STANDARD DRUG COMPANY, Richmond, Va.—Standard is now using Compute-Rx communicating stand-alone computers in 15 of the stores. The units were purchased at a cost of $16,500 each and are adaptable to a POS function.

SUPER X DRUGS LIM-tem. Future expansion calls for installation in all 174 stores within two years. Software for the 32 systems now in place was developed by Longs to fit the chain's particular requirements.

MEDICARE-GLASER, St. Louis—Time-sharing pharmacy computer system, Medicom, was designed by the chain to fit its specific needs and is considered one of the most advanced in the industry. System is now installed in 69 Medicare-Glaser stores and will expand to some 22 more in 1984. Uses Burroughs hardware. Vp Ken Anderson cites improved ability to market professionalism of the stores to the public, reduced store operation costs and third-party processing as among system's strong points.

MUIR DRUG STORES, Grand Rapids, Mich.—After testing two pharmacy computer systems, Muir Drug execs decided to go with 3 P.M.'s on-line system on a rental basis. Currently, the chain has 23 stores on-line with an estimated average cost of $800 per month (including third-party processing) for each unit.

PAY LESS DRUG STORES NW, Wilsonville, Ore.—Pay Less uses IBM hardware and software designed in house for its 154 stores. Internally designed software allowed chain to include functions it felt most important in the original, basic package, including economical installation, low maintenance, third-party processing, communications functions, flexibility in retail pricing and speedy response time. Chain plans to install the system in all new stores.

ECKERD DRUG, Clearwater, Fla.—Eckerd is expanding its 1981 computer test to include more stores each month. Units currently in some 20 stores.

FAY'S DRUG CO., Liverpool, N.Y.—One of the pioneers in the pharmacy computer field, Fay's relies on the Honeywell COMPASS communicating stand-alone system in all of its 92 stores. Called AccuFay's, the system was purchased for approximately $27,000 per unit and was chosen over a competing system because it gave the chain flexibility in using its own pricing system. In addition, the stand-alone feature works well regionally—important for a chain like Fay's.

FREEDOM DRUG, Exeter, N.H.—Dissatisfied with systems on the market, chain president Denis Rondeau set out to design one suited to his company's needs. The resulting stand-alone system was called Pharma System, and is now in eight Freedom units. It is also being marketed to other retailers for under $19,000 per unit. Features include pricing updates, more efficient billing and labor savings.

GRAY DRUG FAIR, Cleveland—This year Gray Drug Fair has installed 56 new systems—3 P.M.'s time-sharing Pharmaserv pharmacy computers—and plans to nearly double the 1983 total the following year. Cost-cutting features include price updates, third-party processing and patient profiles. Chain may also be interested in a POS function.

HARCO DRUG, Northport, Ala.—Harco, which is testing a time-share system (Behrens Prime Rx pharmacy computer), expects to have 12 to 20 units in place in 1984. System's strong points include accurate, current pricing, record-keeping and management reports.

HOOK DRUGS, Indianapolis—In one year, Hook has doubled the number of pharmacy computer installations to 60. Micologic CAP 900 communicating stand-alone system costs the chain approximately $17,500 per unit.

KELTSCH PHARMACY, Fort Wayne, Ind.—Uses IBM Series I hardware and a software system called Rx Pedite. Expects to have 12 communicating stand-alone units in 1984. Cost: approximately $8,000 per store unit. Chain feels system is cost-justified by features that include price updates, third-party billing and printed labels and receipts.

KINNEY DRUG, Gouverneur, N.Y.—Chain now has 25 communicating stand-alone units (Honeywell COMPASS) and plans to include pharmacy computer systems in all future stores. System costs approximately $25,000 per store unit, but is cost-justified by providing regular price updates, efficient third-party billing, patient profiles, insurance records, revenue summaries and reports.

LONGS DRUG STORES, Walnut Creek, Calif.—Longs uses a Hewlett Packard sys-

Continued on page 42

Major manufacturers of pharmacy computer systems

Company	System	No. in use	Basic price	Processor size	Operating system	Disc type	Main memory
Anacomp, The Carriage House at Gwynedd Plaza, Bethlehem Pike, Spring House, Pa. 19477	Rx NET	1983-150 (S.A.), 1984e-400 (S.A.)	$14,500-S.A.	8 or 16 bit	OASIS	Hard	128-512 KB
Azurdata Inc., 4102 148th Ave. N.E., Redmond, Va. 98052	Azurdata Scorpad	1983-100 (S.A.), 1984e-600	$14,350-S.A.	8 bit	Azurdata	N/A	64-128 KB
Apothetech, 23800 Hawthorne Blvd., Torrance, Calif. 90505	Apothetech System II	1983-200 (S.A.), 1984e-500 (S.A.)	$16,950-S.A.	32 bit	MCS, PASCAL	Hard	256 KB-1.5 MB
BDM Information Systems Ltd., 3032 Louise St., Saskatoon, Sask., Canada S7J 3L8	Cado	1983-51 (S.A.), 1984e-65 (S.A.)	$27,000-S.A.	8 or 16 bit	Cadol	Hard	96-512 KB
Compute-Rx, 500 Libbie Ave., Suite 2C, Richmond, Va. 23226	Compute-Rx 301	1983-178 (S.A.), 1984e-490 (S.A.)	$20,500-S.A.	16 bit	CP/M, MS/DOS	Hard	128 KB
The Condor Corp., P.O. Box 2311, Birmingham, Ala. 35201	Rx-80 Pharmacy System	1983-250 (S.A.), 1984e-2,000	$9,700-S.A.	16 bit	GCOS MOD 400	Hard or Floppy	256 KB
D.B.I.S., 1 Mayfair Road, Eastchester, N.Y. 10707	D.B.I.S. Retail Pharmacy Systems	1983-16 (S.A.), 1984e-32 (S.A.)	$13,800-S.A.	8 bit	CP/M, Turbodos	Hard	64 K RAM
Freedom Data Systems Inc., Box 678, Newport, N.H. 03773	Freedom Pharmacy System	1983-100 (S.A.), 1984e-250 (S.A.)	$14,995	8 bit	IBM Datamaster	Hard	128 KB
G/H Systems, 112 E. 32nd St., Joplin, Mo. 64801	G/H Plus	1983-96 (S.A.), 1984e-165 (S.A.)	$19,750	16 or 32 bit	RXS, VMS	Hard	256 KB
Honeywell Inc., 200 Smith St., Waltham, Mass. 02154	COMPASS	1983-700 (S.A.), 1984e-2,200 (S.A.)	$14,995	16 bit	GCOS (Honeywell std) optional on 6110-CP/M, MS-DOS	Hard and Floppy	512 KB
IBM, National Accounts Division, 1133 Westchester Ave., White Plains, N.Y. 10604	Computer assisted Rx systems, Series/1 event driven Executive chain Rx system, Programmable store system Rx application/store, IBM 36/50 Rx application/central environment, Series/1 retail pharmacy computer system	N/A	N/A	N/A	DOS/VS or OS/VS, EDX, Dos/Vs or OS/Vs, DOS/VS or OS/VS, EDX	Hard	256 KB
National Data Corp., 1 NDC Plaza, Corporate Square, Atlanta, Ga. 30329	DataStat II	1983e-800 (T.S. & S.A.), 1984-N/A	N/A	16 bit	MIIS	Hard	N/A
Norand, 550 Second St., S.E., Cedar Rapids, Iowa 52401	A-Line System	1983-480 (S.A.), 1984e-550 (S.A.)	$18,000	8 or 16 bit	CP/M, MS/DOS, PC/DOS	Hard	384 KB
Pacific Pharmacy Computers Inc., 5205 Kearny Villa Way, Suite 110, San Diego, Calif. 92123	ScriptWriter	1983-180 (S.A.), 1984e-300 (S.A.)	$14,900	8 or 16 bit	CP/M, UNIX, MS-DOS	Hard	64 KB
Pharmacom, 2301 Ave. J, Arlington, Tex. 76011	300 Series (S.A.), Patient Profile (T.S.)	1983-2250 (T.S. & S.A.), 1984e-2750 (T.S. & S.A.)	$13,900 (S.A.) $650/month (T.S.)	8 bit	PASCAL, UCSD-P system	Hard	192 KB
Polaris Microcomputers Inc., 7277 Hayrenhurst #B-6, Van Nuys, Calif. 91406	Microscript	1983-300 (S.A.), 1984e-360 (S.A.)	$11,000 (Floppy S.A.), $16,000 (Hard S.A.)	8 bit	CP/M	Hard	64 KB+
Programs & Analysis—Professional Health, 21 Ray Ave., Burlington, Mass. 01803	P & A pharmacy computer system	1983-43 (S.A.), 1984e-80 (S.A.)	$24,900	8 bit	CP/M	Hard	64-128 KB
Response Inc., 608 2nd St., Jackson, Minn. 56143	PC/Pharmacist	1983-3200 (S.A.), 1984e-600 (S.A.)	$9,000	16 bit	PC/DOS	Hard	256 KB
Sierra Software Systems Inc., 1009,1177 West Hastings St., Vancouver, B.C.	Drug Chain System	1983-80, 1984e-N/A	Variable-software package only		N/A	N/A	N/A
Software Development Corp., 270 Amity Road, Woodbridge, Conn. 06525	Dagar	1983-150, 1984e-1500	$7,500-software only	8 or 16 bit	CP/M, MP/M	Hard	64 KB
3 P.M. Inc., 30881 Schoolcraft Road, Livonia, Mich. 48150	PharmaServ	1983-1,400 (T.S. & S.A.), 1984e-2,000 (T.S. & S.A.)	$600/month-T.S., $14,500-S.A.	16 bit	CTS 300 or TSX	Hard	192-256 KB

Key: T.S.—Time sharing, on-line
S.A.—Stand alone

N/A—Not available
1984e—Estimated number

Source: *Drug Store News* survey

PHARMACY

Fay's system meets challenge of Zomax recall

LIVERPOOL, N.Y.—Drug recalls always present a special challenge to retailers who are uncertain about where all the stock of the recalled product is and to whom it has been sold.

During the recent Zomax recall, Fay's Drug solved the problem neatly with its AccuFay's pharmacy computer system.

Kandyce Daley, the chain's director of pharmacy systems, explained what happened:

"We have the capability to print out a list of people who are taking a particular drug or have taken it within the past two years," she said, "With the Zomax incident, we ran the program and the next day called patients who had Zomax prescriptions filled within the previous two months."

The patients were told to get in touch with their doctors as well as the fact that Fay's would refund money for any unused doses of the medication.

Patients who could not be reached by phone were sent a letter explaining the recall as were patients who had had Zomax prescriptions filled at Fay's within the past two years.

"The advantage our system has over others," Daley continued, "was that we could go back two years in the files and determine not only who had prescriptions filled recently but also who might still have any of the medication left from a past prescription. It would have been virtually impossible to achieve this kind of a recall operation with a manual search of our files."

Daley's familiarity with the advantages of Fay's system is no accident. When Fay's decided to go ahead with Honeywell's pharmacy computer system, COMPASS, Daley was the pharmacist who was asked to head up the development efforts as pharmacy computer project director.

Having no extensive computer background, Daley relied heavily on the Honeywell to get to know the system. But thereafter "it was learn as you go," she said.

Today, all 92 Fay's stores are equipped with stand-alone units, and Daley is proud of the fact that she and her staff of trouble-shooters can handle "99.8% of the problems without having to call Honeywell."

Asked about the future of the computer at Fay's, Daley is quick to point out that while the chain sees its AccuFays system as a tool for the pharmacy, it is now exploring possible expansions of the system's capabilities.

"We're looking to use the computer for inventory control by tracking prescriptions as they are dispensed," Daley said. "We're also looking into direct order features."

Fay's has also discussed POS possibilities, but Daley said, "There is a concern that this may interfere with the pharmacy function by slowing the system or otherwise taking away from the dispensing function."

Fay's has given a lot of attention to promoting the system to its customers through television commercials and in-store literature describing the system's advantages.

"The first commercial introduced the system," Daley explained. "It said it typed labels and generated tax statements and the like. The second commercial introduced the drug interaction feature. We explained how our 'electronic pharmacy assistant' helps us detect possible problems that may arise with different medications, since many patients now take more than one drug."

The Zomax recall presented a good opportunity to enhance customer relations. "We had an excellent response as a result of the Zomax recall," Daley said.

Daley, who has been with Fay's for nine years starting as an intern, had several words of advice for retailers thinking about taking the plunge into pharmacy computers:

"First, sit down and decide what you really want from the system, such as a nursing home package, accounts receivable and so forth. Then make sure you choose a reliable company. Visit sites that have the company's system in place and talk to the people who use it. Find out what problems, if any, they have had with the company or the system.

Fay's computer printed out a list of patients who had been prescribed Zomax allowing pharmacists to inform them of the recall.

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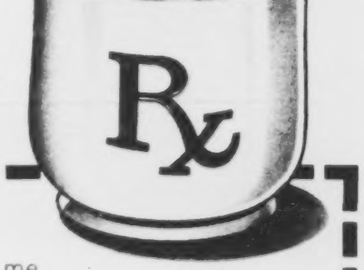

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PHARMACY

Medicare-Glaser's computers punch in sales

Store volume rose dramatically after Medicare-Glaser promoted its pharmacy computer's ability to track patient care and predict drug interactions.

ST. LOUIS—For Medicare-Glaser, the addition of computers to its pharmacy departments was a little bit like having a celebrity like Paul Newman agree to be the chain spokesman: terrific press and a tremendous transfer of prestige.

"After we promoted some of the system's features such as drug interaction and patient care aspects on radio and television in newspapers," says Ken Anderson, vp and director of professional relations for Medicare-Glaser, "the volume in our stores rose considerably.

"The increase was coming not just from other stores, but also from our own customer base. Those customers who were picking and choosing pharmacies by the price of different medications now had a reason to stick with one store for all services."

Medicare-Glaser installed its first computer in 1976. The system called Medicom had been internally developed by Medicare and so it was carefully tailored to meet the needs of the Medicare pharmacies.

Anderson, who was managing the store in which the first computer was installed, recalls that at the time the Medicare pharmacies were doing about 90%-95% of their volume in prescription business, the rest in professional, ethical OTC's. It was immediately evident, he said, that the computers allowed the pharmacists to be "more efficient" particularly in handling drug interactions and routine clerical tasks.

Today the Medicom system has been expanded to include all Missouri stores and most Illinois stores. Future plans call for bringing the Glaser (Drug Center) stores on-line as well.

But despite the physical expansion of computers, their main emphasis continues to be on servicing the pharmacy department.

"We're very protective of the pharmacy function of the system," says Anderson. "We don't want to add functions that can be done better manually or that will take up a lot of extra time on the computer."

Pharmacists at Medicare work closely with data processors and other computer specialists to insure that the ultimate system fits their needs. Theirs is also one of the few systems to provide a pharmacists' override, which basically means that if a pharmacist wants to modify, adjust or disregard a computer generated assessment, he can.

"Because of this override," says Anderson, "I think we have the best system in the industry."

When Medicare was designing the system, they also used the pharmacist's input as a guide for what to include and exclude. As a consequence, Medicom is one of the few pharmacy computer systems around today without a formatted screen. "Our pharmacists," explains Anderson, "felt they couldn't get the efficiencies out of the system with a formatted screen so we had the computer technical people work the system until they could do it another way."

A pharmacist himself, Anderson today also directs the Medicom operation. His advice to other pharmacists seeking to invest in computers is to move slowly, "determine what you want your system to do."

Do you want a better store image, he asks, improved third-party retrievables or what?

He also recommends carefully researching the vendors to determine how much support and how many services they can provide, both in hardware and software.

He also says that it is critical today to look for a system that can be upgraded. "As new software systems come out," he stresses, "you'll want a system that can handle changes."

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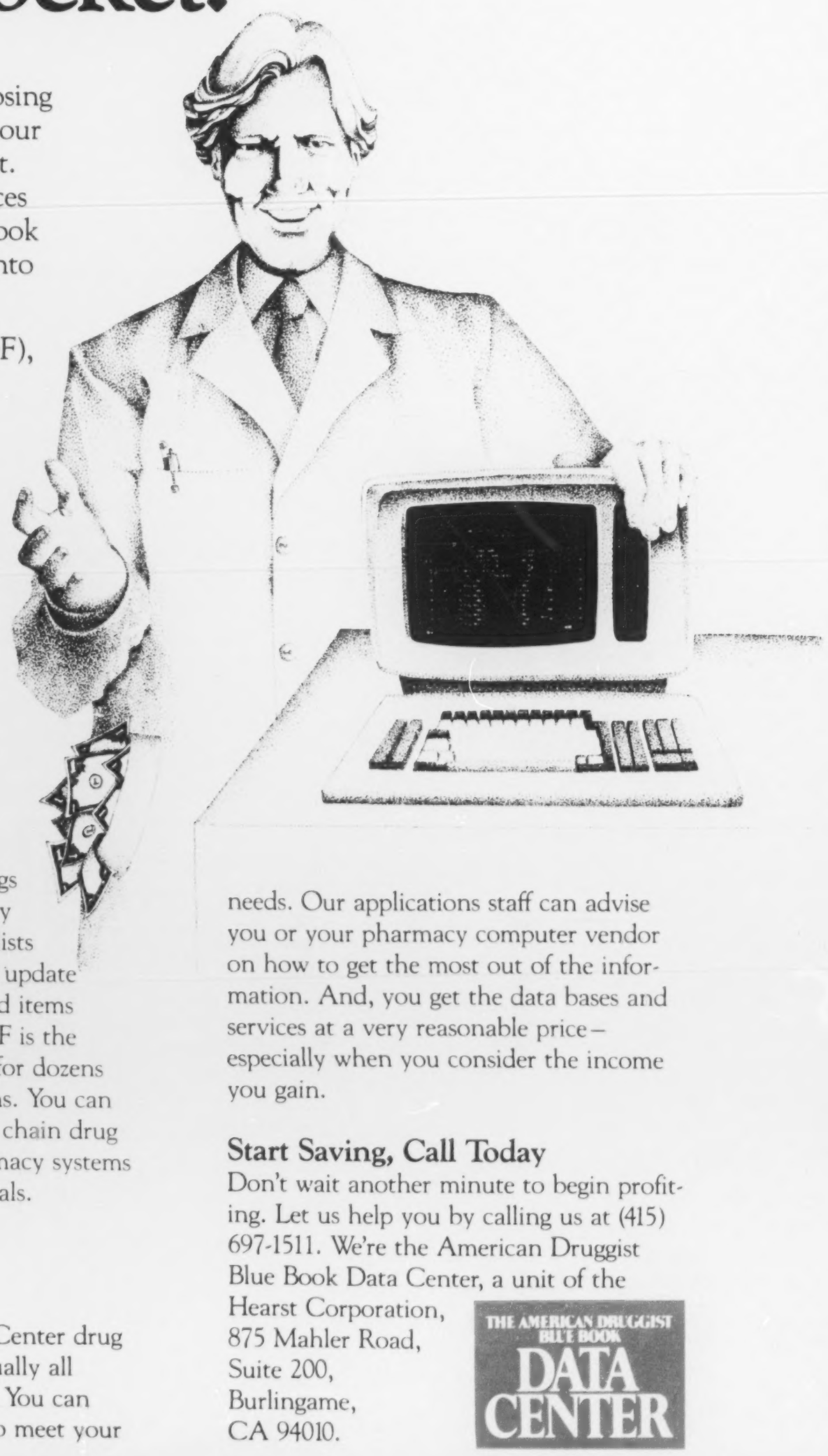

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PHARMACY

Report card for chains surveyed

Chain	Headquarters	Units with pharmacies	Rx computers	Chain	Headquarters	Units with pharmacies	Rx computers
Apex Drug	Novi, Mich.	32	32	**Perry Drug Stores**	Pontiac, Mich.	113	10
Crown Drug	Advance, N.C.	14	8*	**Pharm-Escomptes Jean Coutu**	Quebec, Canada	70	70
Eckerd Drug	Clearwater, Fla.	1,249	20	**Revco Drug Stores**	Twinsburg, Ohio	1,642	200
Fay's Drug	Liverpool, N.Y.	92	92	**Ribordy Drug**	Valparaiso, Ind.	23	9
Freedom Drug	Exeter, N.H.	8	8	**Rite Aid**	Shiremanstown, Pa.	973	26
Gray Drug Fair	Cleveland, Ohio	353	56	**Rix**	Auburndale, Mass.	7	6
Harco	Northport, Ala.	45	20*	**Sentry Drug**	Romulus, Mich.	15	15
Hook	Indianapolis, Ind.	269	60	**Shoppers Drug Mart**	Willowdale, Ontario	441	55
Keltsch	Fort Wayne, Ind.	12	12*	**Snyder**	Hopkins, Minn.	57	2
Kinney	Gouverneur, N.Y.	25	25	**Standard Drug Co.**	Richmond, Va.	34	15
Longs	Walnut Creek, Calif.	174	32	**SuperX Drug Ltd.**	Downsview, Ontario	54	11
Medicare-Glaser	St. Louis, Mo.	89	69	**SupeRx Drug Corp.**	Cincinnati, Ohio	554	75
Muir Drug	Grand Rapids, Mich.	25	23	**Thrift Drug Co.**	Pittsburgh, Pa.	340	340
Pay Less NW	Wilsonville, Ore.	154	154	**Thrifty Drug Stores**	Los Angeles, Calif.	528	4
Peoples Drug Stores	Alexandria, Va.	502	60	**White Drugs**	Jamestown, N.D.	32	3

*Computers in place at the beginning of 1984.

Source: *Drug Store News* Survey

MYCELEX® (clotrimazole) TROCHE

Indications and Usage: Mycelex Troches are indicated for the local treatment of oropharyngeal candidiasis. The diagnosis should be confirmed by a KOH smear and/or culture prior to treatment.

Contraindications: Mycelex Troches are contraindicated in patients who are hypersensitive to any of the components.

Warning: Mycelex Troches are not indicated for the treatment of systemic mycoses.

Precautions: Abnormal liver function tests have been reported in patients treated with clotrimazole troches; elevated SGOT levels were reported in about 15% of patients in the clinical trials. In most cases the elevations were minimal and it was often impossible to distinguish effects of clotrimazole from those of other therapy and the underlying disease (malignancy in most cases). Periodic assessment of hepatic function is advisable particularly in patients with preexisting hepatic impairment.

Since patients must be instructed to allow each troche to dissolve slowly in the mouth in order to achieve maximum effect of the medication, they must be of such an age and physical and/or mental condition to comprehend such instructions.

Carcinogenesis: An 18-month dosing study with clotrimazole in rats has not revealed any carcinogenic effect.

Usage in Pregnancy: Pregnancy Category C. Clotrimazole has been shown to be embryotoxic in rats and mice when given in doses 100 times the adult human dose (in mg/kg), possibly secondary to maternal toxicity. The drug was not teratogenic in mice, rabbits, and rats when given in doses up to 200, 180, and 100 times the human dose.

Clotrimazole given orally to mice from nine weeks before mating through weaning at a dose 120 times the human dose was associated with impairment of mating, decreased number of viable young, and decreased survival to weaning. No effects were observed at 60 times the human dose. When the drug was given to rats during a similar time period at 50 times the human dose, there was a slight decrease in the number of pups per litter and decreased pup viability.

There are no adequate and well-controlled studies in pregnant women. Clotrimazole troches should be used during pregnancy only if the potential benefit justifies the potential risk to the fetus.

Pediatric Use: Safety and effectiveness of clotrimazole in children below the age of three years have not been established; therefore, its use in such patients is not recommended.

Adverse Reactions: Abnormal liver function tests have been reported in patients treated with clotrimazole troches; elevated SGOT levels were reported in about 15% of patients in the clinical trials (see Precautions section).

Nausea and vomiting was reported in about one in 20 patients.

Dosage and Administration: Mycelex Troches are administered only as a lozenge that must be dissolved slowly in the mouth. The recommended dose is one troche five times a day for 14 consecutive days. Only limited data are available on the safety and effectiveness of the clotrimazole troche after prolonged administration; therefore, therapy should be limited to short-term use, if possible.

How Supplied: Mycelex Troches—white, discoid, uncoated tablets are supplied in bottles of 70 and 140. Each tablet will be identified with the following: Miles 095.

Store below 86°F (30°C), avoid freezing.

References: 1. Montes LF, et al: Clotrimazole troches: a new therapeutic approach to oral candidiasis. *Cutis* 17:277-280, 1976. **2.** Yap B-S, Bodey GP: Oropharyngeal candidiasis treated with a troche form of clotrimazole. *Arch Intern Med* 139:656-657, 1979. **3.** Kirkpatrick CH, Alling DW: Treatment of chronic oral candidiasis with clotrimazole troches: a controlled clinical trial. *N Engl J Med* 299:1201-1203, 1978. **4.** Data on file, Miles Pharmaceuticals.

MILES

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DOM-2242

New... the first troche treatment for oropharyngeal candidiasis.

Before treatment.[1]

After treatment with MYCELEX Troche.[1]

High clinical cure* rates.

A clinical cure rate of 96% was achieved in one randomized double-blind trial[2] in which MYCELEX Troche was administered to patients with oropharyngeal candidiasis. Other investigators have concluded that MYCELEX Troche "is highly effective treatment for chronic oral candidiasis."[3]

Dramatic improvement in symptoms.

Patients attain a high degree of relief at the end of therapy, as evidenced by the dramatic decrease in severity of glossitis, patches, perleche, pain, and other clinical signs and symptoms of thrush.[4]

Good patient acceptance, minimal side effects.

With MYCELEX Troche, messy suspensions and lengthy swishing are things of the past. MYCELEX Troche has a pleasant, slightly sweet taste. And an entire day's therapy—5 troches—can easily be carried in pocket or purse.

Based on a study of 52 episodes of oropharyngeal candidiasis, the investigators stated: "We believe that the troche form of clotrimazole...in the treatment of thrush in any patient population...is both effective – and safe."[2†]

*Clinical cure is defined as absence of signs and symptoms of the disease.

†See adjacent page for summary of prescribing information, including contraindications and adverse reactions.

Mycelex® Troche (clotrimazole) 10 mg

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10/17/83
C5150-2

℞ *K&B's Schneider—p. 48*

'Retailers are being asked to stock more sku's . . . with no assurance of product turnover.'

CHAIN STORE AGE MERCHANDISER *—pp. 61-87*

DRUG STORE NEWS

Vol. 5 No. 22/Incorporating **CHAIN STORE AGE Drug Magazine** Published by Lebhar-Friedman Inc./October 17, 1983

SupeRx has increased its already sizable food department with a delicatessen. This store, photographed before the deli experiment, shows that SupeRx had already made a substantial commitment to food.

SupeRx samples deli, restaurant in its food dept.

By Mike Dunn

CINCINNATI—SupeRx is expanding its testing of food merchandising to include a delicatessen and a fast food restaurant.

The deli and the restaurant are similar to food-service concepts popularized by 7-Eleven, the nation's largest convenience food chain.

SupeRx first began experimenting with convenience food departments in a Cincinnati store two years ago. By midsummer of 1983 there were 10 stores in various markets set up with convenience food sections. One unit included a limited snack bar.

Last month, SupeRx continued to study ways to carve a niche in the $16 billion-a-year convenience food market with the three new stores.

One has a delicatessen, another has a snack bar that includes soup and bread and the third has a fast food restaurant in the front of the store.

Despite heavy promotion of the three new units with advertisements in the *Cincinnati Enquirer*, SupeRx management emphasized, the chain's main business remains the pharmacy.

The advertisements, which

Continued on page 93

Revco set to crack $2B sales mark

By Allen Mundth

BEACHWOOD, Ohio—First-quarter results indicate that Revco, the nation's largest drug store chain, will top the $2 billion sales mark this year for the first time in its 27-year history.

"If we make our target of 15% growth in sales this year, Revco will pass another milestone—$2 billion in sales," chairman Sidney Dworkin told shareholders gathered here last month for the company's annual meeting. "We have every reason to believe we will do so."

Dworkin's optimism reflected results for the first quarter ended Aug. 20, a period during which the chain's 1,700 drug stores and various subsidiaries generated sales of $436 million—15% above the $379 million reported for the same period a year ago. Net earnings rose by a considerably greater margin, climbing 29% to $15.5 million, or 48¢ per share, from $12 million or 39¢ per share one year ago. (Per share figures reflect a 3-for-2 stock split in April 1983.)

Dworkin attributed the improvements to the same factors that favorably influenced Revco's results during fiscal 1983: effective expense controls double digit sales gains, lower inflation, reduced interest costs and an improving performance by the Dallas-based former Skillern stores.

Sales of like stores—those in operation for one year or more—rose 11.6% in the quarter vs. 11.3% in the comparable year earlier period. Through August of calendar year 1983, Revco's like store sales gains averaged 12.9%, Dworkin pointed out, or nearly 4% ahead of the industry average, 9.2%.

Store expansion, which during last year's first quarter increased only 5%, is "back on a

Continued on page 93

Medicare-Glaser goes public

ST. LOUIS—Medicare-Glaser Corp., which operates 101 stores in Missouri, Illinois and Connecticut, will join the ranks of publicly traded drug chains.

The 50-year-old company, which last month filed with the Securities and Exchange Commission, says it will use the proceeds from the public offering of 826,000 shares of common stock to pay off long-term debt and finance future expansion and remodeling.

The stock is expected to carry an estimated purchase price of $11 to $13 per share. Of the 826,000 shares, 578,200 are being sold by the company and the rest by current shareholders.

According to its prospectus, Medicare-Glaser in fiscal 1983 generated sales of $69.7 million and earnings of $970,000, a substantial improvement over weak year-earlier results.

But long-term debt rose $3.5 million to $10.1 million as the result of leasehold improvements, warehouse expansion, heavier inventory investment and the purchase of computer equipment. Medicare-Glaser is one of the leaders in pharmacy computer operations and markets drug reaction data bases to

Continued on page 93

McKesson tests computer shopping plan

By Lou Karney

SAN FRANCISCO—McKesson will test an in-store electronic shopping system in northern California starting next month. McKesson's primary purpose is to evaluate the impact of electronic shopping on its distribution system.

The system is called ByVideo and is the brainchild of Nolan Bushnell, founder of Atari and Pizza Time Theaters Inc. McKesson is ByVideo's first customer.

McKesson, the leading wholesale drug distributor in the country, has formed a new division, Compufill, to conduct

Continued on page 93

LATE NEWS

FRED MEYER INC., which operates 66 pharmacies in retail stores, has announced it is considering an initial public offering of common stock. A registration statement is expected to be filed with the Securities and Exchange Commission sometime in October. Some shares will be sold by certain shareholders in addition to the shares that will be sold by the company. The lead underwriters are Kidder Peabody and Lehman Brothers.

ACPE **CONTINUING EDUCATION PROGRAM**

Detection and treatment of diabetes mellitus—pp. 33-40

Assoc./Affil. buyers predict brighter Yule

NEW YORK—Members of Affiliated Drug Stores and Associated Chain Drug Stores arrived here at the New York Sheraton for the annual fall buying show considerably more optimistic than when they met last year.

Executives of several leading drug chains said that the improvements in the economy and growing consumer confidence would help pave the way for a strong Christmas season, though few retailers were willing to say just how strong a season they think they will have.

"We're anticipating a good Christmas, certainly a lot better than last year," said Vincent Bruno, vp at Big B in Birmingham, Ala. Bruno said the the chain was gearing up in particular for a strong showing in the electronics category. Among the items he expects to sell well this holiday season are telephones, video games and home computers.

However, most retailers contacted said that they would be emphasizing the basics this Christmas. Some pointed to the fact that there was very little in the way of new impressive products this season.

"I don't see much out there that is really hot or new," said Bill Ausenbaugh, executive vp of marketing at Ribordy Drugs in Indiana. "In fact, I'm a little disappointed in what's been available this year."

Continued on page 94

Both Phil Weinstein, president of Affiliated Drug Stores Corp. (left), and Ira Shain, president of Associated Chain Drug Stores Inc., report many new exhibitors will be at shows.

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—News in brief—

Eckerd opens 3rd health care center

CLEARWATER, Fla.—The Jack Eckerd Corp. has opened its third Med-Care store, a 4,000-sq.-ft. freestanding unit in a shopping center in New Port Richey, Fla.

The store will sell and rent home health care products such as wheelchairs, beds and oxygen tanks as well as incontinence and skin care products, bathroom safety and convenience items, electronic monitoring and treatment devices, ostomy and mastectomy products, blood pressure monitors and oxygen and respiratory therapy supplies.

Exercise equipment will also be available.

Eckerd Med-Care will provide free delivery of certain equipment and 24-hour emergency service for repair, maintenance and regulation of the equipment.

Walgreens appoints 2 DM's

DEERFIELD, Ill.—The Walgreen Co. has named Ronald W. Belmonte as district manager of the newly formed Indiana district and Jim D. Ward as Tampa North district manager. The new district covers stores in Indiana from Whiting to Valparaiso and also units in Rockford, Ill. Belmonte, who joined Walgreens in 1970, was most recently manager of a Chicago store. Ward, who had been a pharmacist and later a store manager for Walgreens, joined the company in 1968 as a clerk.

Rite Aid names security chief

SHIREMANSTOWN, Pa.—Rite Aid Corp. has appointed Robert L. Buhrig Sr., formerly corporate security manager for the Southland Corp., as corporate vp and director of loss prevention. Before joining Southland, which runs the 7-Eleven chain of convenience stores, Buhrig was a crime scene investigator for the DeKalb County Police Dept., Atlanta, Ga.

Snyder promotes Hawley to vp/finance

HOPKINS, Minn.—Snyder Drug Stores Inc., recently promoted Gary Hawley to vp chief financial officer.

Hawley joined Snyder in 1974 and was most recently assistant vp and controller. Snyder Drug Stores operates 55 corporately owned stores and 138 independent retail stores in Minnesota, Wisconsin, South Dakota and Iowa.

Perry acquires Fleenor's

PONTIAC, Mich.—Perry Drug Store has finalized an agreement in principle to acquire Fleenor's Inc., operator of 50 auto parts stores in Indiana, Kentucky and Ohio. Fleenor's, with annual sales of about $25 million, brings Perry into several new market areas and will add marketing expertise needed to propel the growth of Perry's freestanding auto operation.

Hook opens La Porte, Ind., store

INDIANAPOLIS—Hook Drug continues on an expansion track with its latest opening of a 7,600-sq.-ft. store in La Porte, Ind. The chain, which also launched two new stores last month, now operates 287 drug stores. The chain also operates nine convalescent aids centers with two more scheduled to be unveiled within the next year.

Elisha joins Eckerd board

CLEARWATER, Fla.—The Jack Eckerd Corp. directors have elected Walter Y. Elisha to their board. Elisha is president and ceo of Springs Industries Inc., of Fort Mill, S.C.

Elisha also is a director of Springs. He joined Springs as president in March 1980 and became ceo in 1981.

Before joining Springs, he had been vice chairman and a director of the Jewel Cos.

Pay 'n Save to open 15th Hawaii store

SEATTLE—Pay 'n Save was scheduled to open its 15th store in Hawaii in mid-October. The 40,000-sq.-ft. unit with an additional 8,000-sq.-ft. outdoor nursery was to open next to a regional mall in Kahului on Maui.

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SPECIAL FEATURES

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Vol. 5, No. 22 October 17, 1983

Osco seeks Rx computer with 'back-end' functions

OAK BROOK, Ill.—Osco Drug and its West Coast sister division, Sav-On, have launched a joint venture to develop a pharmacy terminal system to be used by both drug store divisions. A viable system is expected to be ready within the next year.

One of the objectives is to tie in pharmacy computers with the "back end" of the store and include such ancillary services as direct delivery, time and attendance, energy management and electronic mail.

A knowledgeable source said that "chains have been looking seriously at direct delivery systems since 1974, and no one has come up with a good one. Osco and Sav-On feel that direct delivery can be made compatible with prescriptions."

The philosophy of Jewel Cos., parent of Sav-On and Osco, is that both drug divisions have common requirements. A common system would therefore be most cost-effective.

Sav-On has been experimenting with a half-dozen pharmacy systems since 1980, and Osco has installed terminals only in states requiring patient profiles.

A source close to Jewel Cos. explained why Osco and Sav-On have not vigorously pursued pharmacy terminal systems until now: "It's the cost. Osco and Sav-On together operate close to 500 drug stores, which would require an investment of millions of dollars. Jewel's attitude has been, 'Why do it now and go in the hole? Why not wait until costs come down?'

"Costs are now coming down," the source notes. "Where it formerly cost $35,000 to $40,000 for each store, it's now down to the high 20's and low teens."

F.D.A. delays sales restrictions on nontamper resistant products

ROCKVILLE, Md.—Drug stores will be permitted to sell off remaining inventories of nontamper-resistant drugs and cosmetics at least until next May, under the Food and Drug Administration's indefinite postponement of its original Feb. 6, 1984, retail sales ban on noncomplying packaging.

But the indications are that F.D.A. may eliminate that retail sales prohibition altogether in order to spare over-the-counter drug manufacturers the expense of a massive and potentially "counter-productive" nationwide recall of nontamper-resistant products still in the distribution pipeline.

Abolishing that drug store sales ban is one of three separate options under consideration by the agency, which is in the midst of a major "field study" to determine whether the quantities of noncomplying drugs and cosmetics still on retail shelves represent more than a "trivial hazard" to the public.

In addition, F.D.A. officials are also considering a limited delay in the sales restriction, as well as the possibility of banning only wholesale (not retail) sales of products not packaged in tamper-resistant containers.

If, on the basis of its ongoing field study, F.D.A. decides to impose either a retail or wholesale level sales ban, agency officials said they would "provide adequate time for the industry to implement the necessary procedures" by setting the sales deadline "four months after the date that the agency's decision is published as a final rule."

Since F.D.A.'s field study "cannot be completed before the end of 1983," this new four-month grace period assures drug stores that they will be allowed to continue selling noncomplying OTC's at least until next May.

F.D.A. apparently settled on

Continued on page 93

One year after poisonings

Tylenol recovering market share

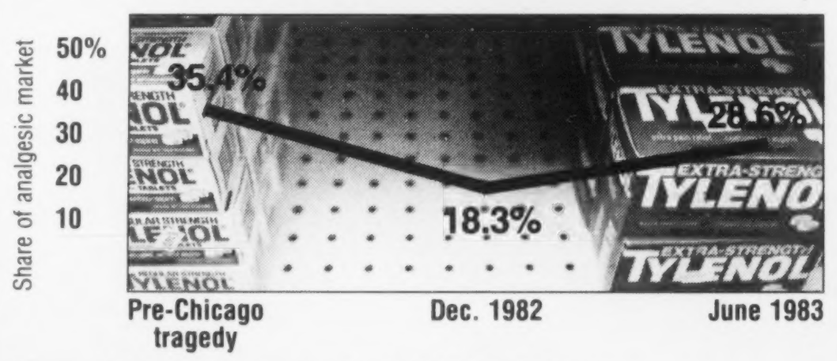
NEW YORK—On the one-year anniversary of the Tylenol tampering tragedy, drug store retailers report that the brand is closing in on the 35% market share it held before the poisonings that left seven people dead.

Tylenol's astonishing rebound, moreover, is occurring in the face of stiff competition from other analgesic manufacturers, who are pumping millions of dollars into advertising in an attempt to cut into Tylenol's share.

Some observers believe, however, that Tylenol may be facing rougher going in the future as several new products, including those with ibuprofen, begin their assault on the growing OTC analgesic market.

Retailers ranging from Medicare-Glaser to Pay 'n Save say it is too early to determine the effect these new drugs will have on the $1.2 billion market. But buyers are positive that Tylenol has rocketed back to almost a 30% share of the market, and all signs seem to indicate that the brand will shortly reach its "pre-Chicago" level.

Tylenol market share rebounds



Source: Johnson & Johnson reporting A. C. Nielsen findings.

The most recent Nielsen figures support retailers' views, according to Robert Kniffin, director of public relations for Johnson & Johnson. Before last fall's widely publicized deaths, Tylenol held a commanding 35.4% share of total analgesic dollars. This dropped, he says, to 18.3% in December when the extra-strength capsules were off the shelves. But by June 1983, Tylenol had jumped back up to a 28.6% share. "The trend is good," he adds.

A few chains, such as Apex Drug, report that Tylenol has an even higher percentage of the business. Apex president Jim Devine says the brand now accounts for 33% of his analgesic sales.

If there is any problem that buyers pinpoint, it is securing enough supply to meet the demands of the shopper.

Buyers also say that existing brands that have attempted to gain market share from Tylenol have done little to halt the brand's climb to its once lofty position.

"If anything," one buyer from a Southern-based chain says, "these brands have expanded the category. There's

Continued on page 94

Kodak hopes new disc film will develop into hot-seller

NEW YORK—Kodak has introduced a new high quality disc film that the manufacturer hopes will stimulate sales of the disc product line.

The new film, dubbed Kodacolor VR disc film, will replace Kodacolor HR Disc film. Shipments were to begin in October with no price change.

While sales of the disc camera and films have been excellent, they have not met Kodak's budget, according to Gene Glazer, an analyst with Dean Witter.

Glazer said the new film is an effort by Kodak to eliminate some complaints of too much grain in the disc film. "Also, Fuji just introduced a new disc film that seemed less grainy than the original Kodak disc film," he added.

Although Fuji is not basing its competition with Kodak on price, incentives to dealers have resulted in lower Fuji prices.

One major West Coast drug chain reports that Fuji has "significantly eroded" Kodak's market share in film sales.

In addition, Konica Color Film, which makes private label film for Eckerd, Genovese and Rite Aid, has announced it will sell film under its own name at a lower price than Fuji.

Agfa, which until now has sold only slide film in the United States, may jump into the color negative film fray next year.

Retailers report the disc cameras and films are selling

Continued on page 94

PHARMACY

Pharmacist's $ margins advance for tranquilizer scripts

Drug Description	Manufacturer	% Retail Market Share Rxs 6/82	% Retail Market Share Rxs 6/83	Avg. # Per Rx 6/83	Avg. Price 6/82	Avg. Price 6/83	% Retail Margin* 6/82	% Retail Margin* 6/83
Valium 5mg	Roche	20.6	18.9	55	$10.58	$11.86	26.3	25.0
Ativan 1mg	Wyeth	6.6	6.5	50	11.32	13.54	33.4	29.0
Valium 10mg	Roche	5.5	4.8	53	16.69	18.84	22.6	22.0
Tranxene 7.5mg	Abbott	4.9	4.5	53	12.46	13.81	29.4	28.0
Valium 2mg	Roche	4.1	3.9	57	8.19	8.99	36.1	35.0
Librium 10mg	Roche	3.2	2.8	61	10.20	11.45	30.6	28.0
Meprobamate 400mg	Generic**	2.5	2.6	80	4.36	4.32	78.2	77.0
Xanax 0.5mg	Upjohn	—	2.6	50	—	13.89	—	30.0
Mellaril 25mg	Sandoz	2.6	2.3	68	15.73	16.75	24.2	24.0
Tranxene 3.75mg	Abbott	2.4	2.4	53	10.35	11.59	33.6	33.0
Atarax 2.5mg	Roerig	2.6	2.2	40	13.09	14.04	29.0	28.0
Ativan 2mg	Wyeth	2.1	2.0	53	15.97	19.82	26.4	22.0
Chlordiazepoxide 10mg	Generic**	1.3	1.8	66	5.10	4.54	60.2	79.0
Serax 15mg	Wyeth	1.9	1.7	59	12.13	14.44	31.0	27.0
Mellaril 50mg	Sandoz	1.6	1.5	65	17.71	18.57	21.4	22.0
Atarax 10mg	Roerig	1.8	1.4	44	10.72	11.33	33.4	34.0
Xanax 0.25mg	Upjohn	—	1.3	49	—	11.09	—	34.0
Centrax 10mg	Parke-Davis	1.7	1.3	50	11.47	13.84	33.2	30.0
Haldol 1mg	McNeil	1.5	1.3	56	13.24	14.13	29.5	29.0
Mellaril 10mg	Sandoz	1.5	1.3	73	12.77	13.71	28.6	28.0
Ativan 0.5mg	Wyeth	—	1.0	50	—	11.08	—	35.0
Mellaril 100mg	Sandoz	1.0	0.9	63	19.27	21.09	19.7	20.0
Vistaril 25mg	Pfizer	1.2	0.9	44	14.33	15.02	26.7	27.0
Atarax Syrup	Roerig	0.9	0.9	—	8.20	8.61	42.4	42.0
Haldol 2mg	McNeil	1.0	0.8	58	17.25	18.49	23.8	23.0
Top 25		76.3	71.6	56	11.29	12.97	29.4	28.0
All others		23.7	28.4	60	14.33	14.91	28.5	28.0
Total		100.0	100.0	57	12.01	13.50	29.1	28.0

*Per cent retail margins are based on average wholesale prices.
**Includes prescriptions filled with other than nationally promoted brands of meprobamate or chlordiazepoxide.

Source: Decision Data

Price increases spark higher profits in prescription tranquilizer market

NEW YORK—Although retail margins for tranquilizer scripts declined more than a full percentage point in the past year, pharmacies are reporting an increase in gross profit dollars for the category.

According to figures gathered by North Arlington, Tex.-based Decision Data, the profit on a typical tranquilizer script increased 28½¢ from June 1982 to June 1983.

Virtually the entire gain was the result of price increases. An average tranquilizer script costs consumers $13.50, up $1.50 over last year's average price.

Quantities dispensed remained unchanged in the past year, but fell (to 57 units) from the amount reported three years ago (59 units).

At the same time, the percentage of script refills moved up 5 points in the past three years. As a result, patients are receiving less medication per script, but are having their prescriptions refilled more frequently. Refills account for 51% of this market's overall script volume.

The top 25 items account for 72% of the tranquilizer market's volume, and the "all others category" comprises the balance.

No one single manufacturer dominates this drug class, but Roche remains by far the leading share holder on the strength of Valium (27.6% share) and Librium (2.8% share).

Although new product success stories are rare in this competitive market, some penetration has been reported by Upjohn. Xanax, a benzodiazepine marketed early in 1982, is chalking up gains over last year. The 0.5mg tablets and the 0.25mg strength recorded market shares of 2.6% and 1.3% respectively.

Other findings indicate that Ativan and Serax are maintaining share. Indeed, of all the new products recently launched in the tranquilizer market, only Ativan, Xantax, and Centrax have penetrated the top 25.

Other brands such as Azene (Endo), Verstran (Parke-Davis), and Paxipam (Schering) are still battling to break into the select group.

Generic versions of meprobamate 400mg, with a 2.6% share, and chlordiazepoxide 10mg, with a share of 1.8%, recorded slight gains in share from one year ago levels.

King Soopers picks IBM Rx computers

DENVER—After testing the IBM Series 1 standalone pharmacy terminal for six months in its Arvada store, King Soopers is installing the system in five Denver stores in late December or early January.

The five standalone pharmacy terminals will operate with a host computer.

At the time the standalone terminals become operational, King will set up a training program for pharmacy managers and staff. The program will provide for two days spent in King Soopers' main office and two days in the store. As the installations progress, the four-day training period may be cut back.

Most chains conduct pharmacy terminal training at the stores. However, King execs feel that because the system is so technical and detailed, a combination of headquarters and stores will be more effective.

Although King execs are pleased with the test data at the Arvada store, they are taking a cautious approach. That is why they view the five-store installation as a continuation of the testing. It is also the reason they are not going chainwide at this time. Nor have they announced a time frame for this.

Each of the five Denver stores was selected for a different reason. Some of the considerations included pharmacy staffing and personnel, the volume of new and refilled scripts, and the number of third-party scripts filled.

King Soopers operates 54 pharmacies out of a total of 58 food/drug combos, and is Colorado's market leader.

It is estimated that King fills 40% of the prescriptions in Denver and also outsells other competitors (Walgreens, Skaggs, Safeway, Albertson's) on H&BA.

King created a sensation in the Denver market in 1968 when it embarked on a deep discount program that caught all other retailers flatfooted. Five years later King overtook Safeway, which had been the market leader for years.

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CHAIN STORE AGE
MERCHANDISER

Drug chains have improved food marketing techniques

For the past several years, both drug stores and discount stores have been aggressively promoting and featuring grocery products to increase customer visits and build average store volume.

However, a recent study of grocery merchandising trends in nonfood stores show that drug store chains seem to be doing a much more effective job in capitalizing on food buying trends.

A Lebhar-Friedman Research project executed earlier this year shows that drug store operators frequently generate higher margins on grocery products. They carry smaller inventories, get much higher turns and consequently produce higher gross profit dollars.

Drug stores seem to be particularly effective when it comes to merchandising candy and snacks. According to the L-F research report, drug store chains achieve an average 23.6% margin and 11.9 turns on candy and snacks.

In contrast, discount store chains generate an average 16.3% margin on candies and snacks, while turns hover at a lethargic 5.9 year.

Despite their much smaller stores, drug stores also do a much better job with pet food items. Even though discount chains carry an average 165 pet food sku's and take margins as low as 14%, they only average 9.2 inventory turns a year.

Drug stores, on the other hand, carry an average 52 pet food sku's, enjoy margins as high as 19% and turn their annual inventory an average of nearly nine times a year.

Part of the reason drug chains do so much better is because they promote more often. Their prices are not necessarily sharper, but they advertise more.

According to the L-F survey, 67% of all the drug stores that carry candy and snacks promote them at least once or twice a month, while 29% promote them as often as once or twice a week.

However, only 50% of the discount stores that carry candy and snacks promote them as frequently as once or twice a month and only 40% promote them as often as once or twice a week.

Perhaps nowhere is this trend more evident than in the category of soft drinks. Forty-five per cent of the drug store respondents in the survey promoted soft drinks at least once or twice a month, while 55% promoted at least once or twice a week. In contrast, just 30% of the discount chains promoted as often as once or twice a month, while just 18% promoted as much as one to two times a week.

In addition to promoting foods, drug chains are also much better at exploiting the ease and convenience of shopping their stores.

Unlike discount stores, drug stores frequently use banners and window signs to announce they have food in their stores, and they frequently put their departments and their promotional food displays toward the front of their stores, near the cash registers.

Drug stores are also a more reliable place to shop for groceries. Much more than discount stores, they tend to carry many of the grocery items they promote on an everyday, continuity basis.

One hundred per cent of the drug store buyers who carry food/groceries stock some items like soft drinks and paper goods every day. Ninety-six per cent of those who carry household cleaners, candy and snacks carry them everyday, while 91% of those who carry beer, wine and liquor have them every day.

In contrast, the discount stores were much more inclined to move into a grocery category, promote it, sell through and then drop it from their stores. Their "in and out" approach to foods made it much harder for their customers to build a food buying habit.

When it comes to how fast space allocations for groceries are expanding in nonfood stores, drug and discount stores are practically neck and neck.

Six out of 10 of the grocery buyers in both industries report that allocations for groceries have increased over the past two years. Three out of 10 buyers in both industries report they expect the expansion to continue. Less than 5% in

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Food buyers surveyed

The information contained in this report comes from a telephone survey conducted by Lebhar-Friedman Research in early 1983.

Among the people interviewed were buyers of food and grocery products for both drug and discount store chains. Most of the respondents were employed by chains in the Top 100, but some also represent chains ranked in the top 200.

Included in the survey were a total of 40 grocery buyers working for drug chains and 40 working for discount chains. Basically the report focuses on seven merchandising categories: dry groceries, candy and snacks; pet food; paper goods; household cleaners; soft drinks, and beer, wine and liquor.

In many cases, the buyers were responsible for several of the categories we tracked. The responses, therefore, sometimes overlap. On the drug store side, the L-F research included responses from 24 buyers of dry groceries, candy and snacks; 26 buyers of paper goods and household cleaning items; 30 buyers of pet food items and 11 buyers of beverages.

On the discount store side, the study included 20 buyers of dry groceries, candies and snacks, 13 buyers of paper goods and household cleaners, 20 buyers of pet food items, and 11 buyers of beverages.

The average drug chain represented in the survey operated a total of 64 units and enjoyed an annual volume of approximately $91 million. The average discount store represented operated 88 units and had annual sales of about $562 million a year.

IT TAKES MORE THAN BIG CHESTS AND NICE JUGS TO ATTRACT CUSTOMERS.

We're doing everything imaginable to make Thermos® chests and jugs more appealing and noticeable than ever.

On television, we're showing them off in a commercial that's going to be an unqualified hit. You'll see it during everything from The Today Show to Family Feud.

In People Magazine our consumer advertising will reach millions of people.

New 4-sided self-sell packaging will more effectively display one of our best features: The Thermos name.

Our products have been redesigned and given a new look.

Rebates of up to $5 will also be offered on selected coolers. In short, Thermos is going to keep things hot for you all summer.

CHAIN STORE AGE
MERCHANDISER

Chains have improved food marketing skills

Continued from page 81

both industries expect to see the departments decrease in size.

On average, drug store buyers say they expect that space for dry groceries alone will increase about 17% in the coming year. Discount buyers say they estimate an average 13% increase.

The growth estimates are more conservative for departments like candy and snacks, which have been in drug and discount stores for many years now. Those drug store operators who expect their candy and snack departments to increase in size estimate that allocations next year will grow by an average 15%. Discount operators who say they expect their food departments to also grow peg their estimated increase at a comparable 14% average.

Surprisingly, however, discount chains seem to be preparing to dramatically expand space allocations for paper goods and household products. Even though many discounters have traditionally been strong merchandisers of these lines, buyers estimate that departments will increase an average 30% in the coming year.

Drug chain buyers also see growth on the horizon, but not as dramatic. Drug store respondents peg average growth at 18% a year for both paper products and household cleaners.

On the other hand, drug chain buyers do see some very dramatic growth in beverage departments, which include wine, beer and alcohol as well as soft drinks. Respondents estimated a 35% increase in space allocations for beverages in the upcoming year vs. an estimated 23% increase seen as likely by the discount store buyers.

Drug stores carry less inventory than discount stores yet they turn more product at higher margins.

Mean number of items carried in dept.

	Drug	Discount
Dry groceries	110	279
Beverages	137	262
Candy/snacks	202	351
Pet foods	52	165
Paper products/ household cleaners	118	288

Source: Lebhar-Friedman research

Average annual number of inventory turns

	Drug	Discount
Dry groceries	11.0	7.4
Beverages	11.5	7.9
Candy/snacks	11.9	5.9
Pet foods	8.8	9.2
Paper goods/ household cleaners	10.2	8.0

Source: Lebhar-Friedman research

Average gross margin

	Drug	Discount
Dry groceries	12.5%	11.5%
Beverages	12.8	7.8
Candy/snacks	23.6	16.3
Pet foods	19.3	13.8
Paper goods/ household cleaners	17.8	15.2

Source: Lebhar-Friedman research

Circulars preferred ad media

When drug chains promote groceries, their favorite medium is tabs and circulars, with newsprint a close second.

Eighty-two per cent of the grocery buyers surveyed by Lebhar-Friedman earlier this year said they always or frequently use tabs or circulars to promote grocery items. Seventy-eight per cent said they also use newsprint to get their value message across.

In contrast, only 45% of the buyers said they ever used direct mail, just 20% ever used radio and a minuscule 15% chose television.

The trends are almost identical for discount store buyers who also purchase grocery items. Like drug store buyers, discount store buyers have a high preference for tabs, circulars and newsprint, but they are less likely to favor direct mail and more likely to gamble on radio and TV.

Only 28% of the discount store grocery buyers use direct mail, compared to 45% of the drug store buyers, while 32% of the discounters use radio, compared to 20% of drug store buyers. Twenty-eight per cent of the discounters also use TV, compared to 15% of the drug store buyers.

Not surprisingly, edible groceries receive more exposure in all forms of media than nonedibles like paper goods and household cleaners.

Ninety-six per cent of the buyers said they run beverage ads in tabs and circulars, compared to just 80% of pet food and paper goods/household cleaner buyers. Dry groceries, candies and snacks are also a popular tab item.

Beverage is the most commonly chosen item for radio or TV. Dry groceries, candy and snacks are relatively strong contenders for TV, while paper goods and household cleaners seldom generate that kind of support.

Generally when a drug or discount store buyer runs an ad, he also elects to support products with in-store, off-the-shelf displays. Eighty-five per cent of the drug store buyers and 92% of the discount chain buyers said they always or frequently run an ad and feature a display together. There is a general consensus that to insure a perfect sell-through, grocery products particularly need that double-barreled support.

However, discount chains are

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Folgers
Bounty
Pampers
Tide
Scope
Folgers Vacuum
Ivory Liquid
Head & Shoulders
Duncan Hines Cake Mix
Crisco Oil
Cascade
Secret
Crisco
Crest
Duncan Hines Chocolate Brownies
Duncan Hines Cookie Mix
Comet
Puf
Duncan Hines Blueberry Muffins
Downy
Jif
Ivory
Charmin
Our blue ribbon brands.
They can be winners for you, too.
Look at these brands, and you'll recognize some of the outstanding performers in your stores.
You know that we have quite a track record for fast-selling brands at P&G. But you may not know that of 28 grocery categories where we have major brands, we have a leading seller in 24 of them.
This kind of performance is more important than ever—to both of us.
When you're planning promotions, they can sell through more quickly and pull in more customers if you build them around popular, fast-moving brands. Like our leading brands.
And you'll recognize that many of these brands are not only great performers in their own right, but they have increased business *for the entire category.*
But fast-moving products are just one place where our interests clearly coincide.
We want to become knowledgeable about your objectives in such areas as merchandising, shelf space management, and store productivity—so we can work together as partners to help us both reach our goals.
Procter & Gamble
We hear you.

CHAIN STORE AGE
MERCHANDISER

High-velocity consumables build chain traffic

For many drug retailers, selling food on an in-out basis is a sure-fire method for building traffic.

By offering high-velocity consumable items such as nuts, cake mixes, ketchup, soft drinks and juices to price-conscious consumers, drug chains are able to preserve their low-pricing image.

At the same time food, as a traffic draw, allows drug chains to attract new customers. It also helps steer consumers, who may be considering purchasing an H&BA product in a neighboring supermarket, away from the food store and into a drug store. And, by its very presence, food frequently helps to bring bargain hunters back to shop more often.

Despite the fact that the food inflation rate has slackened considerably in 1983, buyers of food products for drug chains estimate their sales are continuing to grow at rates generally ranging from 10% to 20%.

In 1982, according to *Drug Store News'* annual survey of drug chains, food and liquor sales through drug stores increased 6% to $1.6 billion. At the very least, buyers say they will definitely match that growth in 1983.

Many buyers say the growth is continuing strong because many shoppers have become habituated to buying food in drug stores.

"I think out customers look for the food items we have now," says Bill Ausenbaugh, executive vp of marketing at the Indiana-based Ribordy Drugs.

And because food wholesalers and manufacturers are making a much stronger thrust into the nonfood market, Ausenbaugh says, Ribordy has been able to step up its food promotions considerably. The chain's weekly circulars regularly feature three to four grocery items.

Most drug retailers say the key to selling promotional food is to stick with the top-selling national brands, avoid direct competition with local supermarkets and always be on the lookout for the best possible deal.

Medi Mart, a division of Stop & Shop Cos., promotes grocery products an average of every two weeks. Food buyer Bob Gallagher says he always tries to select those products that yield the optimum mix between traffic and profits, especially for sales periods when he is featuring a large number of food items in Medi Mart ads.

Because there are are often "fantastic deals" available for consumable items in the food business, Gallagher feels "you can be priced competitively and still make a decent margin."

"If I am offering 12 to 13 consumable food items, I've got to make some money," he says. "I think that anyone that takes the approach that food is only a loss leader is missing out."

By Gallagher's estimates, Medi Mart has been most successful with such high-consumable food items as jellies, pickles, relish, salad dressings and ketchup. While the chain generally gets a 90% sell through, residue from promotions has been a problem.

Across the country, small-, medium- and large-sized drug chains are expanding their food promotion programs. A recent survey by Majers Inc., a Connecticut-based market research firm, revealed that 73% of executive retailers think there will be a substantial increase in sales of food and beverages in chain drug stores.

In some cases, chains such as Seattle-based Pay 'n Save have used promotional food as a stepping stone for further tests of mini-convenience food departments.

Other chains such as Rhode Island-based CVS, which rarely promoted food in the past, are increasingly featuring grocery items such as soda, juices and snack foods.

One of the most astute promotional food merchandisers is Dart Drug, based in Landover, Md. For years Dart has successfully moved large volumes of food and grocery products out the doors of its 71 drug stores in an area that is considered by many to be one of the most competitive grocery markets in the country.

Although Dart has been expanding its everyday grocery merchandising mix, it still carries most of its products on an in-out basis with margins generally averaging 10% to 20%.

Like many drug chains, Dart usually promotes only when manufacturers have extra incentives for buying the product.

Circulars preferred ad media

One-third of nonfood retailers increased grocery promotions

Estimate of ad dollars spent on grocery this year vs. last	% of respondents	
	Drug	Discount
More	37.5	37.5
About the same	52.5	42.5
Less	5.0	7.5
No answer	5.0	12.5

Source: Lebhar-Friedman research

Continued from page 82

more likely than drug chains to build a display without a feature ad. Possibly because discount stores generate higher traffic counts than drug stores and can therefore depend on higher impulse sales, some 55% of the discount store respondents said they always or frequently build a display without backing it with a feature ad. Only 30% of the drug chain buyers said they follow this tactic.

Buyers of paper goods, household cleaners, dry groceries and candies and snacks are more likely to execute this particular strategy than their counterparts promoting beverages and pet foods.

As you might expect, very few buyers ever dare run an ad on beverages and not back it up with a display. However, 18% of the paper goods and household cleaner buyers say they frequently or always follow this approach.

BETTER PICTURES
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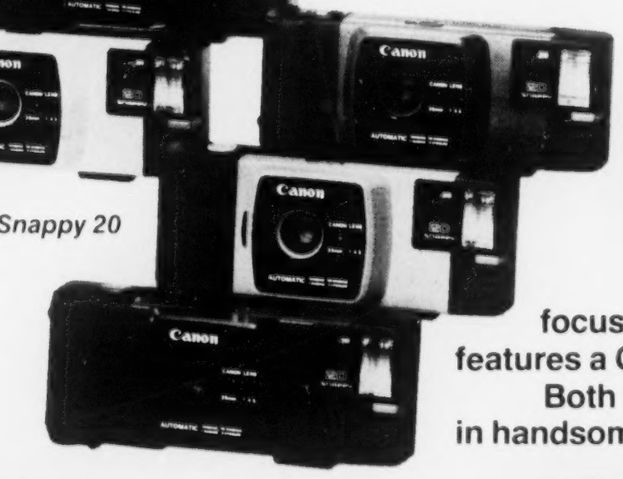
The Canon Snappy is a totally new type of camera, combining snapshot simplicity with Canon 35mm quality. At the right price!

Snappy is being heavily advertised on network TV in prime time and in national magazines such as *PEOPLE* and *GOOD HOUSEKEEPING*, with a hard-hitting campaign designed to bring Canon quality within the reach of millions of additional customers. You can tie-in to this national effort with a wide variety of point-of-sale materials available for your stores.

Totally automatic and designed for foolproof operation, Snappy cameras are simple to use and simple to sell. You get more sales, the customer gets better pictures!



Snappy 20

Snappy 50

Canon Snappy cameras are completely automatic, with motorized film loading, automatic frame advance after each shot, power rewind, automatic exposure control and a built-in electronic flash. The Snappy 20 comes in five terrific colors and features a fixed-focus Canon f4.5 lens. The deluxe Snappy 50 comes in charcoal gray and features a Canon f3.5 lens with autofocus.

Both models are supplied with color-coordinated carrying cords and packed in handsome self-display boxes. And both give your customers better pictures!

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CHAIN STORE AGE
MERCHANDISER

FM reader forum

FM is now an extension of Drug Store News *and has reduced its publishing frequency from four times a year to two. We will maintain the reader forum we launched in the quarterly FM, and we hope our readers will continue to send us their ideas and suggestions.*

The purpose of the Forum is to explore—from as many points-of-view as possible—those ideas and strategies that make food programs profitable and successful.

How to build a profitable pet food program

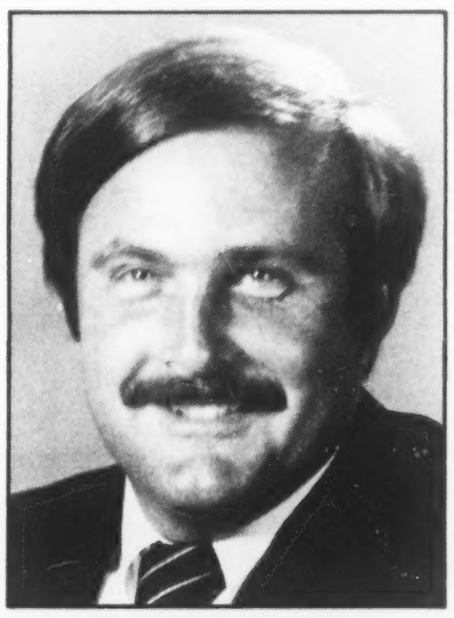
Pet food is a popular feature in many drug store ads, but the fact that pet food turns fast doesn't necessarily mean pet food always makes money. To stay profitable within the category, drug store operators need a carefully planned pet food program.

In the column that follows, Tom Mainwaring, national sales manager for Carnation's Special Markets division, offers some ideas for building a rounded pet food program.

It's estimated that over 45 million households currently own a dog or a cat—that's approximately half the customers now shopping in drug and mass merchandise outlets.

Pet food has proven itself in the mass merchandise environment because it's such a substantial category. Sales topped $4.6 million in 1982, a 7% increase over 1981. Tonnage was up 2.6% to more than 9 billion lb., and pet food now ranks as the third-largest category in supermarkets.

With industry advertising reaching close to $200 million a year, many nonfood retailers are beginning to take advantage of the store traffic this category can generate. Yet to fully develop the sales and profit potential of pet foods, retailers need to develop a marketing strategy that exploits both the short- and long-term potential of pet foods. Just to promote the category is not enough. Such a strategy yields tonnage, but not necessarily profits.



Tom Mainwaring
National sales manager
Special Markets division
Carnation Company

To maximize profits as well as sales, retailers need to establish permanent pet food sections. They also need year-round promotional programs.

Regular pet food ads help to accustom shoppers to buying food in a drug store environment. Sharp prices on the advertised product create a pleasant "image" for the store by creating an impression of value.

It's important to have a good cross section of dry pet foods because they're so heavily used, but the more canned goods sold, the more profitable the section will be, and the better the section's return on investment.

Canned pet foods normally generate a higher profit per square foot, and their extraordinary responsiveness to multiple pricing makes them natural candidates for Dollar Day and Anniversary sales, occasions when the marketing objective is volume, volume and more volume. The canned product also takes up less space both on the shelf and in the backroom.

Pay Less, Walgreens, Longs, Dart and Perry all promote and stock pet foods on a regular basis.

Through creative merchandising, which includes regular ads and displays, the chain drug operator can build a loyal group of consumers who will shop the section year around. The add-on traffic then produces the turns that fully maximize the retailer's investment.

Drug, discount chain food departments grow in size

In the past two years, the majority of grocery buyers for both drug and discount chains report that their grocery departments have been steadily increasing.

Six out of 10 buyers for both industries report that grocery departments have increased in their chains, and 3 out of 10 predict that this trend will continue at least for the near future.

Beverage buyers predict the most dramatic growth in the year to come. Among buyers who expect their department to grow, the average estimated an increase of 35%.

Discount chain buyers who also sell soft drinks, wine, beer and alcohol, estimate an average growth of 23%.

In drug stores, the next fastest growing category is pet foods. Buyers who estimate their department will increase peg its growth at an average of 24%. Those discount store buyers who think it will increase expect it to go up only about 9%.

Among drug chain buyers who think their dry grocery, candy and snacks and paper goods and household cleaners will grow, the estimated rates of increase are 17%, 15% and 18%, respectively.

However, only 23% of drug store buyers expect paper goods and household cleaner departments to grow over the next year. Significantly only 50% reported growth increases for this department in the past two years.

Average expected increases in space allocations for '84

	Drug	Discount
Dry groceries	17%	13%
Beverages	35	23
Candy/snacks	15	14
Pet foods	24	9
Paper products/ household cleaners	18	30

Note: Respondents include only buyers who expect increases in space.

Source: Lebhar-Friedman Research

Grocery buyers estimated space allocation changes for next year

	% of buyers responding					
	Drug			Discount		
	Inc.*	Remain the same	Dec.†	Inc.*	Remain the same	Dec.†
Dry groceries	33%	63%	4%	30%	65%	5%
Beverages	18	82	—	18	82	—
Candy & snacks	42	58	—	20	80	—
Pet foods	17	73	10	20	70	10
Paper goods/ household cleaners	23	77	—	15	85	—

Source: Lebhar-Friedman Research * Increase † Decrease

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities.
The offer is made only by the Prospectus.

September 16, 1983

S-P DRUG CO., INC.

1,750,000 Shares

Common Stock

Price $15 Per Share

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